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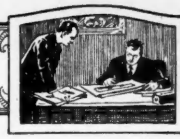
WITH THE EDITORS



Stockholders and Chickens

"DRIVING downtown today I passed a wagonload of live chickens, peering out at the world from their coops. They reminded me of the members of the great middle class of our country, who have as much to do with their own economic and political fortunes as those chickens on their way to execution."

The speaker is James W. Gerard, former United States Ambassador to Germany. Mr. Gerard says that American investors are the bedrock upon which the economic life of the nation is built, and that their holdings in most instances represent thrift, hard work and faith in the destiny of the United States. We think this is a very conservative statement of the case.

"Yet," he adds, "they are the target for every political experiment in every state of the Union and in Congress. They are not given the slightest consideration at any time."

The painful truth of this indictment can not be questioned. How long will investors be chickens? Under adequate organization and capable leadership they could control fully 25,000,000 votes. They could wield a political power—for their own and the national welfare—far transcending that of such organized lobbies as the American Legion or the American Federation of Labor.

Mr. Gerard believes that the time has come for the formation of a national organization of security owners, with headquarters in Washington, which will serve notice to politicians and to the country of its frank purpose and intention to protect the rights of its members in every possible way and which will see that their voice is heard.

The leaders of this movement and the executives of the compact headquarters staff at Washington should be men of ability and of reputations beyond reproach. What is particularly to the point, Mr. Gerard states that he will be willing to assume the leadership in getting this organization started. Every investor who reads these words will no doubt approve of Mr. Gerard's statement and of his announced purpose as enthusiastically as we do—but that is not enough. There has been such talk before. It is action that is needed. This time—wonder of wonders—powerful, practical, irreproachable leadership is to be had by the country's investors for the asking.

We believe that if investors pass it up in inaction and apathy, they will deserve to remain forever in the chicken class. What do you think?

IN THE NEXT ISSUE

Meeting Today's Investment Problems With Safety and Profit

By A. T. MILLER

Specific Suggestions in Bonds, Preferred and Common Stocks for Various Size Incomes

How Much Can Rail Stockholders Expect?

By EDWARD M. FORRESTER

Traffic on the rails is increasing—competition from trucks and other agencies is being controlled—fixed charges are more than covered—but how much revenue is demanded by neglected maintenance during the depression years—how much expense will be added by the new wage agreement? These are vital questions to present and prospective holders of railroad shares. Some roads are far better situated than others. Some entered the depression in far better shape than others. Reduced traffic has reduced wear and tear so that estimates based on precedent are erroneous. Here are the real facts.

Clarifying Important Issues

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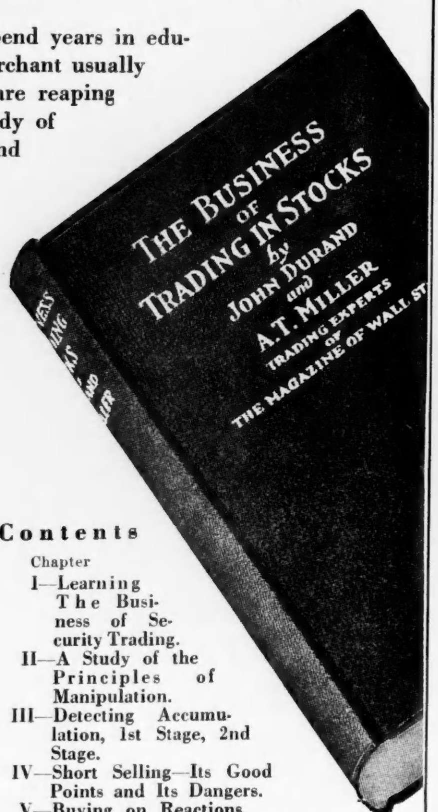
In every profession it is generally understood that a man must spend years in education and apprenticeship before starting out for himself—and the merchant usually starts out as an errand boy. In trading in stocks, too, the men who are reaping handsome returns, year after year, are those who make a serious study of the subject—and develop a method best suited to their funds and abilities. In developing the ideas suggested in The Magazine of Wall Street, this book can help you.



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160 pages, profusely illustrated with Charts and Graphs

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The Trend of Events

— *Japan's Blunder*

— *Too Big a Bite*

— *A Good "Investment"*

— *A Blow at Holding Companies*

— *Amend the Securities Act*

JAPAN'S BLUNDER

ALL friends of international amity will regret the monstrous arrogance of Japan in setting herself up as the judge of all relations between other nations and China. The brutal finality of the declaration of April 17 left no way for the powers chiefly concerned to avoid corrective statements which could not possibly be so softly worded as to avoid offense to the bristling militarists of the Far East. The United States' note of interpretation was a model of courtesy united to firmness. Silence would have implied acquiescence in a manifesto which had the ultimate effect of scrapping a hundred treaties. We could have done no less. An issue has now been raised which can be erased only by a complete disavowal of the ill-advised declaration, by a general revision of the treaties affected or by an open breach which may some day lead to war. Our view has been all along that America must accept the accomplished fact in Manchuria, regardless of treaties. Perhaps that is the real objective of Japan behind a provocative bluff. A determined effort should be made to come to an understanding with Japan. Her imperialistic elements may at any moment precipitate a crisis from which there will be no escape for us except national humiliation or war. Realizing our pacific intentions and our pacific weakness, the Japanese rulers may deliver an ultimatum or an unannounced blow which will bring us consternation and confusion or worse. Japan being what she is, we must work for a new understanding or face the possibility of war. Our mood is to give Japan everything within reason, but she is not taking the judicious course toward the realization of her aspirations. Perhaps her hegemony of the Far East is both desirable and inevitable but it will not be made easy of accomplishment by outraging the sensibilities of her historic friend and well wisher.

TOO BIG A BITE

THE threat of industrial dictatorship by the American Federation of Labor was dissipated by President Roosevelt's settlement of the critical dispute between employers and employes in the motor industries. Elated with the dream of power and encouraged by the direction up to then by Miss Perkins of the White House attitude toward labor problems, the A. F. of L.

leaders drove the President to a decision which was a sore disappointment to them. The President was never more of a real liberal than when he took the stand that employes are to be free from tyrannical union leaders as well as from impetuous proprietors. To make the situation worse, the President appears to have withheld his favor from the deflationary 30-hour week bill, so illogically supported by Mr. Green and that, too, in disagreement with the philosophy of the A. F. of L. itself, that increased productivity is necessarily the only source of increased wages. Deserted by the President and sniped at by local union leaders all over the land, who are winning concessions without national support, the A. F. of L. now seems to be in danger of openly breaking with the Administration. Nothing could be worse for the country at this stage than an epidemic of labor agitation and strikes—and for the A. F. of L. Mr. Green can satisfy himself on the latter point by sending a few disguised scouts out to spy out the real sentiments of the workers, particularly those who haven't worked much these last few years until lately. This is sincere advice. This Magazine believes in organized labor but not in organized boat rocking.

A GOOD "INVESTMENT"

SPECULATION, it appears, is investment when essayed by the children of light. When Father Coughlin's Radio League of the Little Flower puts up $20,000 on a $200,000 (about) contract to buy 500,000 ounces of silver the transaction is an investment pure and undefiled, and in no way tarnished by the speculative "filth of Wall Street." The explanation is that the transaction was truly an investment because it couldn't lose, since President Roosevelt had undertaken to raise all prices, with special consideration for silver. This is emotional economics, which can be understood in a period of aberration which results in such comic applied economics as the Professor Warren scheme to raise commodity prices in a few weeks to 1926 levels by buying gold at increasing prices. But it gives no ethical support to a resort to outright speculation by the foe of all speculation.

A BLOW AT HOLDING COMPANIES

THE proposal, which may well become the law shortly, that corporations shall be prohibited from making consolidated tax returns will have far-reaching effects, many of them evil. The possible results can best be realized by taking a specific example. Suppose a holding company has two subsidiaries, one of which makes $1,000,000, the other losing $1,000,000. Today, the holding company would pay nothing. Under the new scheme, however, the subsidiary that made a profit would pay and the other not. As a result there would be a tendency for one of two things to happen: either the two subsidiaries would merge and continue to pay nothing, or the losing subsidiary would be dissolved and thereby perhaps some important, albeit not currently profitable, business would be lost to the country. The number of unprofitable bus and traction lines that might disappear is immeasurable. Then again, the proposal would place in the hands of minority stockholders a weapon unjust in equity. Many of these undoubtedly would demand unreasonable compensation before they would permit the merger that suddenly might have become essential to the life of the corporation. Generally speaking, the prohibition of consolidated tax returns would hamper national organizations to the advantage of local industry. Subsidiaries in the case of the former often are organized solely to conform to state laws and it is a question whether they could be merged with the parent company satisfactorily. By the same token there would be a tendency to check expansion, for no tax relief could be expected if a new subsidiary were formed for the purpose of developing fresh territory and it proved unprofitable in the first years. This is not sound reform, but more deflation.

AMEND THE SECURITIES ACT

LED by Representatives from the seven silver-mining states of the West, a determined Congressional bloc has just made a successful frontal attack on the Federal Securities Act of 1933. Why? Not because of the indisputable fact that this over-zealous measure has almost completely dammed the flow of capital into long-term financing; not because it has prevented refunding and financing operations by numerous corporations of unquestioned credit standing at a time when the pressure of idle capital has forced the bond market to a level higher than is usually seen in a generation; not because it is a serious brake upon recovery in the heavy industries, upon which, in turn, general recovery now depends. Not for any of these reasons—but because the Act interferred with the public sale of stock in silver and gold mining promotions in the West. The Federal Trade Commission, accordingly, has exempted from the penal provisions of the Act "new development companies" floating $100,000 or less in securities annually. Thus the bars are let down for the most radical of speculations—up to $100,000 annually of the public's money in each promotion. We predict that in and around Denver there will be a boom in "Brain Fever Silver" common and in "Will-O'-The-Wisp" gold first preferred. But there is risk of jail for directors if good bonds of sound industrial and utility companies are offered for public sale! It is time to end such nonsense. Fortunately, the Administration is reported to lean toward *some* modification of this Act. It is to be hoped it will be intelligently adequate.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 64. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, May 7, 1934.

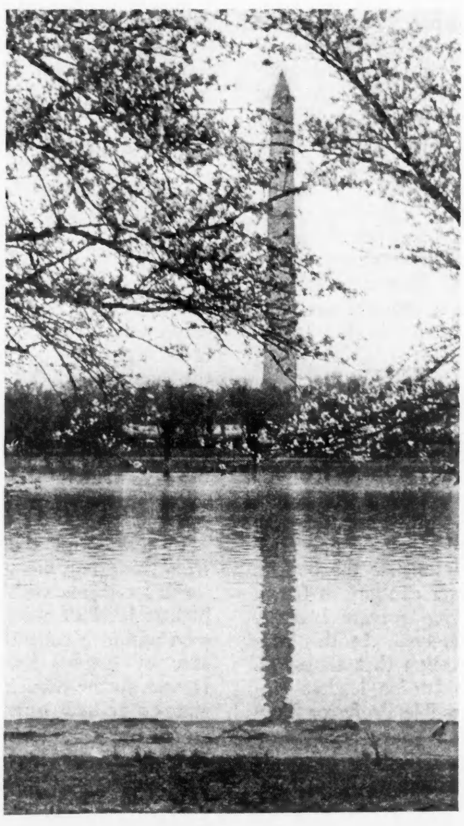
As I See It — By Charles Benedict

Frozen Inflation

MORE inflation through the monetization of silver or by other means will doubtless be urged until Congress adjourns. Even if the President is successful in checking current demands, the agitation will spring up again unless coming months produce a considerably higher level of business activity and of employment than now exist. The recovery experienced since March, 1933, has been gratifying, but, after all, we are at present no more than half way back to normal prosperity and may face an enforced resting period in the rate of improvement during late spring and early summer. Between 8 and 10 million of our people remain out of work and must be supported at public expense.

The demand for additional inflation reflects both disappointment in the pace of recovery and a belief that such recovery as we have had is due in large measure to the Administration's monetary policies of the last year, rather than to N R A, A A A and the various other New Deal experiments. A limited amount of inflation having yielded promising results, why not have more of it?

The issue raised in this question is the most critical one which the Roosevelt Administration must face. After more than a year of almost frantic governmental experimentation—much of it hastily improvised—the time has come to pause and reflect. We might well remind ourselves that the gold value of the dollar has already been depreciated by 40 per cent. That in itself is a tremendous inflation. Why should further attempts to inflate be made when even this bold step has not taken hold? Why indeed, when we envisage the huge credit inflation that is now possible? Our recently revalued gold holdings are capable of supporting a volume of credit far surpassing any amount of credit ever before used. Our banks have tremendous resources and are stronger than in years.



The point is that we already have plenty of inflation, but it is "frozen." The reasons why it is frozen arise from confusing and contradictory forces and policies which have been released and inaugurated. On the one hand, we contemplate such inflationary measures as the $3,300,000,000 Public Works program; the direct loans to industry through the Federal Reserve; the various farm benefit payments and loans; the devalued dollar. On the other hand, the cry for reform has resulted in such deflationary measures as the Stock Exchange Bill with its regulation of financial markets and the free workings of industry; the Security Act of 1933 with its throttling of new financing, and such measures as the prohibition of consolidated income tax returns which will occasion not only additional taxation but readjustment of holding company organization in the middle of a year. In addition, the 30 Hour Week Bill, the proposed unemployment insurance to be paid for by taxing payrolls 5 per cent, must be classed as deflationary legislation. Finally, the N R A itself in so far as it tends to raise business costs ahead of profits is also deflationary.

The result of these conflicting measures has been to dampen business initiative, to retard long range planning and normal long-term capital investment. It is recognized that a 40 per cent dollar depreciation may in time prove more inflationary than it has thus far, but uncertainty as to further possible depreciation naturally confines long term commitments to things of the most liquid character. In other words, when the Administration's program is frankly one of experiment and opportunism, shifting from month to month, business will naturally tend to become opportunistic also. While the Government is loudly decrying speculation, the very instability of its own program makes every venture of the business man essentially speculative.

Hence in the midst of a period of readjustment we are imbued with uncertainty, for if the New Deal has taught us anything, it has taught us to be wary of artificial measures. We have come to recognize that palliatives are temporary in their effect, and that when reform is emphasized, recovery is restrained. It has taken us a year to discover that an enduring higher price level cannot be achieved quickly by money tinkering any more than prosperity can be regained by activity in the consumption goods industries alone. We know now that activity in the production of durable goods is essential to re-employment on a large enough scale to establish broad buying power—to recreate the demand for goods other than mere essentials of life.

Fortunately, there are signs that the awakening to these things is bearing fruit. There is a quickening in the heavy goods industries; there are indications of a wholesome cessation of national experimentation and a willingness to recognize that we have created the means for all of the inflation that is good for us.

¶ *A Pause in the Business Advance is Probable*

¶ *Constructive Administration Policies Offer Support*

What's Ahead for The Market?

By A. T. Miller

HAVING slowly toiled up the hill during the first three weeks of April, the market since then has turned quietly around and marched back down again. There simply was not enough steam in this belated spring endeavor to keep it going. It fizzled out against a ceiling of resistance several points under the year's top level, which was marked by the first week of February. At this writing the market is back around the bottom level of March and is apparently trying to make up its mind whether it should halt there and rest a while.

From an immediate point of view, the performance of the last fortnight has been, to say the least, a disappointment. Moreover, one must concede that there is scant encouragement in it so far as it indicates the prevailing expectation as to the course of business and of stock prices over the next eight or ten weeks.

In short, the market's own conclusion seems to be that the spring rally ended on February 5, regardless of subsequent business improvement. Attention now turns to consideration of the summer prospect. From present indications it appears reasonably certain that we are now close to at least a seasonal recession in business activity. There is no present evidence from which to calculate whether it will or will not prove to be of greater than seasonal proportions.

Such considerations contrast sharply with those of a year ago, for in those initial months of the Roosevelt Administration seasonal business trends meant nothing. The dynamic reflationary forces, both tangible and emotional, let loose at Washington bowled over normal seasonal factors and lifted business to peak activity in July.

Shifting Federal Policy

There are limits to artificial stimulation, however, if we are to preserve the national credit and the essentials of an economic system which, after all, continues to be founded on the bedrock of private initiative. Taking the longer perspective, one can only regard it as gratifying that the Administration appears inclined to call a halt on impulsive experimentation, to consolidate and rationalize the policies already adopted, to proceed with greater caution, to frown upon half-baked panaceas and to give private business initiative somewhat greater encouragement. In this connection, one can not escape the impression that almost all recent addresses of important Administration leaders—including Secretary Wallace, the irrepressible Professor Tugwell and the dynamic General Johnson—have been essentially defensive in tone.

It is not possible, considering the tremendous disorganization of more than three years of depression, for economic recovery to proceed either rapidly or without interruption—regardless of government stimulants. The greater those stimulants, including inflation, the worse the ultimate crash As it is, stimulation has been held under control. In this there is the compensation that the business pause or letdown now apparently in sight can also, in all probability, be kept under control.

Under the circumstances, and regardless of the uncertainties of the next few months, we see no justification for the liquidation of investment holdings of sound securities. Whether stock prices flatten out in a range around present levels or go moderately lower, the basic factors do not support a bearish conclusion as to the major economic trend. A pause in business activity, coupled with a more constructive Washington attitude, could almost certainly be regarded as strengthening the probability of renewed revival in late summer or early autumn. On the same reasoning, either reaction or a horizontal trend of stock prices in coming weeks can logically be regarded as improving the technical structure of the market and building up a base. Given such a base, the market will hardly wait for autumn business developments before it seeks to anticipate them. It has declined ahead of business, for to date there has been only a moderate recession, and the heavy industries, in particular, at this writing have not passed their spring peak. Its customary habit, as indicated last January and February, is to advance well ahead of business.

A Buying Opportunity?

Accordingly, the market having already had a substantial correction, we suspect there will be grave risk of error in becoming overly pessimistic as to its probable course during the summer months. While there would seem to be no need for haste in making fresh commitments, either for investment or for intermediate trading purposes, we are inclined to believe that the interlude of the several weeks just ahead should be availed of for discriminating accumulation on a scale-down basis, especially if the current reaction is extended.

In considering the scope of possible additional reaction from this point, we are impressed by the fact that the bond market remains within approximately a half point of the highest level of recovery—a level, in fact, that is seldom seen within a generation. This reflects an enormous pressure of surplus investment funds. Due, among other factors, to the Securities Act of 1933, there is an abnormal scarcity of new issues of investment merit. This forces a search for yield among second-grade bonds and among the best grade of investment stocks, both preferred and common.

For this reason we doubt that first grade stocks offering a fair dividend return will suffer any notable decline.

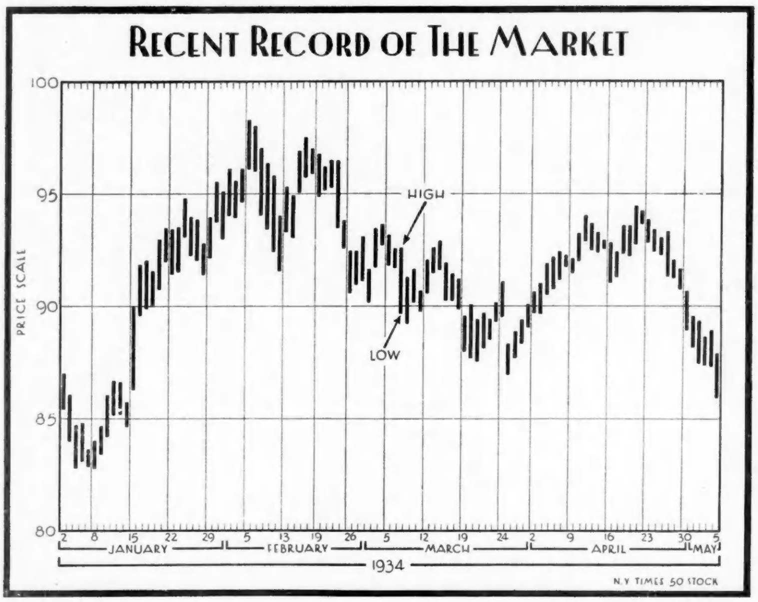
Indeed, it is apparent that in many such issues two or three points of decline have already attracted investment support. Naturally, the same considerations do not apply to the most speculative issues, to issues which pay no dividends or to issues for which satisfactory earning power is remote. If there is further reaction in the present setting, this class of stocks quite likely will bear the brunt of it.

On the whole, we can only regard the current trend of developments at Washington as on the hopeful side, and it appears virtually certain that it will become increasingly so within a few weeks. It is probable that by mid-June Congress will have adjourned, not again to appear in the business or speculative reckoning until next January. The completed legislation, from present indications, will provide no unfavorable surprises and may prove less disturbing than has been feared in recent weeks.

The stock market control legislation will not be precisely what its opponents desire, but within fairly clear limits its probable form is known, and the market has had ample time to become reconciled to it. Whatever the final draft adopted, a present element of uncertainty will have been removed.

Securities Act Modification

On the constructive side, it is indicated that certain modifications will be made in the Securities Act. Probably too much should not be expected, for the proposed amendments apparently are being none too enthusiastically prepared by advocates of the original measure and are not being publicly aired. Yet, any modification will be a business gain, however moderate.



For perspective, one must go back to President Roosevelt's notable budget address last January. He outlined a budget deficit of $7,300,000,000 for the current fiscal year, ending June 30, and a deficit of $2,000,000,000 for the fiscal year ending June 30, 1935. Clearly, it is the President's thought that private business must before June 30, 1935, be in a position to take over the wheel. Indeed, his address contemplated that by the end of the 1935 fiscal year business activity would probably be back to normal.

That prospect would be far more certain if the Securities Act were modified sufficiently to permit a re-opening of the long-term capital market to a normal issuance of new securities, but in any event the compulsion of events will almost certainly force the Administration to do everything politically possible to encourage business. A demonstration over a period of several months that we have stabilization in governmental policies will go far toward restoring business confidence. That is necessary if during the second half of this year we are to experience a business advance which will carry us somewhere near normality within the time limit forecast by the President.

In addition, it must be remembered that the Congressional elections are to be held next autumn and that the Administration is naturally desirous of retaining control. It would not be expedient to keep the brakes on business as that test at the polls draws near.

There need be no fear that the New Deal ammunition is exhausted. The next big shot is to be a Federal campaign to stimulate housing construction, renovation and modernization, financed chiefly by private credit, government-insured. Announcement of this plan is imminent. The campaign should be in full force this summer. It can do no harm. It very likely will do much good, providing stimulation where stimulation and re-employment are most sorely needed—namely, in the durable goods industries.

Reserve Ammunition

There is also reserve ammunition available in the fact that the Government's emergency spending to date has fallen far short of the forecast of last January. The deficit for the first ten months of the fiscal year, ended April 30, is only $3,334,000,000, or less than half that previously forecast. On June 30, it will probably prove to be substantially less than $5,000,000,000. This means that, without disturbing the emergency budget program already announced—and to which public opinion is fully adjusted—more than $2,000,000,000 will be available to carry over from the 1934 budget to that of 1935, making a total of $4,000,000,000 for emergency use in the months beginning next July. This is powerful potential support for business. We suspect that if the position of business requires bolstering as the election approaches, the Administration will not be at all stingy with its resources.

The current business records only in part confirm the market's apparent forecast of a dull spot ahead. Nevertheless, remembering that the market looks beyond the immediate statistics, it is probable that in the aggregate business activity has passed the spring peak. This is plainly true of retail trade and of the textile industry. Here price weakness is the rule; buyers are more conservative in contracting for autumn requirements; and among merchants somewhat urgent clearance sales have begun or are planned. It is conceded that a 41 per cent advance in textiles, as compared to a 21 per cent advance in the general level of commodity prices, has built up a formidable consumer

(*Please turn to page* 107)

The Turning Point of The New Deal

Executive Policy Turns from Experimentation tc Facilitation of Normal Recovery Processes

By John C. Cresswill

"THE Roosevelt Revolution is over," said one of its apostles as he prepared to leave Washington. To him it is over in a disappointed sense—that it has not gone far enough and will go no further. Men of more conservative mind also think it is over—for the present—but feel that it has already gone too far.

Whether the President is through with his program of social reform or not, both radicals and conservatives who are on the scene in Washington are convinced that an intermission has come—a recess which may be the end of the "revolution" or only an adjournment. The period of quiet and consolidation is expected to last until after the November elections, with the postscript that a new emergency may see some more economic acrobatics in the heat of the electoral campaign.

Everyone in Washington of a judicial temperament agrees that the country has turned to the right in the sense that it feels that the time has come to stop taking a legislative pill a day, and leave recovery more to natural processes.

The President is believed to sense the change in public opinion, and it is rather authoritatively said that it reflects his own judgment that this is the time to let well enough alone. Experimentation was in order so long as there was doubt and uncertainty as to whether the country was headed downward or upward. But now with progress toward recovery indisputable, the tendency on both political and business grounds is to avoid action which might be presently impedimental, even though roseate with promise of business acceleration.

New Deal Grows Cold

Among the indications of lessening enthusiasm for the ardent pursuit of the New Deal is the growing skepticism concerning the presently beneficial effects of N R A. It is not to be denied that the conviction is growing even among those who have been the most forthright and sincere supporters of N R A that its day of great usefulness is over, so far as it affects business recovery. Its relation to permanent business reform is something else, and concerning which there is more diversity of opinion. A secret ballot of the four hundred Code authorities, would show, I am sure, that the belief is predominant that the country would be more sure of the immediate future—say for the next year—if General Johnson and all his corps of earnest and hard-working retainers were to take an extended vacation, with the likelihood that it would merge into permanent retirement.

This is not to say that the N R A adventure is generally regretted. On the contrary the consensus of opinion is that in its heydey it performed well a necessary job. If it did nothing else it incarnated the will of the nation to recover and gave it that militant organized form which seems so necessary to the success of any public movement in America. It represented a determined battle against the forces of depression, gave the public the feeling that it was no longer supinely accepting defeat, and that everybody as well as the Government had an important part to do. In its early stages it spread work when that was the thing to do; and later it actually made work to a considerable degree, through its success in persuading employers to raise wages and increase the costs of production in advance of price increases or much gain in volume.

Too Much Reform, Too Little Profit

As time has gone on, the feeling has gained among business men that N R A policy emphasizes business reforms more than business recovery, and that it has become a deflationary rather than reflationary force. Other Government policies are held to be restrictive, too. But the monetary and credit policies have been decidedly reflationary if not inflationary.

The Securities Act, the Stock Exchange Bill and labor policies have tended to check business expansion, while the policies relating to money and credit have been stimulative in purpose if not in fact.

There is a feeling that business recovery and re-employment should have been more pronounced and more inclusive. This impatience and apprehension of an impending business recession have caused renewed interest in various inflationary proposals such as the measures for expansion of silver circulation and agitation for a further step in gold devaluation; also of renewed interest in many-hued plans to get "a lot of money into the hands of the people," like the McLeod bill to pay off all depositors in closed banks, cashing the soldiers' bonus and lending farmers large quantities of fresh new paper money.

The Agricultural Adjustment Administration is encountering much trouble; milk regulation has flopped and growing regimentation breeds fresh difficulties. The effort to keep American wheat prices above those of the world market is about over and the Government is likely to own 200,000,000 bushels of more than useless corn when the corn loans fall due August 1. The extension of the price equalization plan to several additional crops increases complexities of administration. But artificial measures have undoubtedly produced gratifying results—at least temporarily—over large agricultural areas, and at present A A A is more popular than N R A.

Various signs indicate that President Roosevelt is now

turning his thoughts more to the effectuation of reflation than to any additional inflationary measures. He has admittedly discouraged the silver enthusiasts in Congress, and it is now considered certain that anything "rank" in the way of silver expansion will be finally stopped by a veto if it gets to that point. Same for the heterodox bills.

Under the influence of moderation the President has permitted a certain amount of liberalization of the Stock Exchange Bill, and there may be some amendatory easing of the Securities Act. He is cordially supporting a vast project for encouragement of private investment in home building and modernization with a view to breaking the deadlock in the capital and durable goods industries. This undertaking is in line with the growing belief that what the country needs is not more money but more spending, active capital investment rather than a larger supply of cash in alleged circulation.

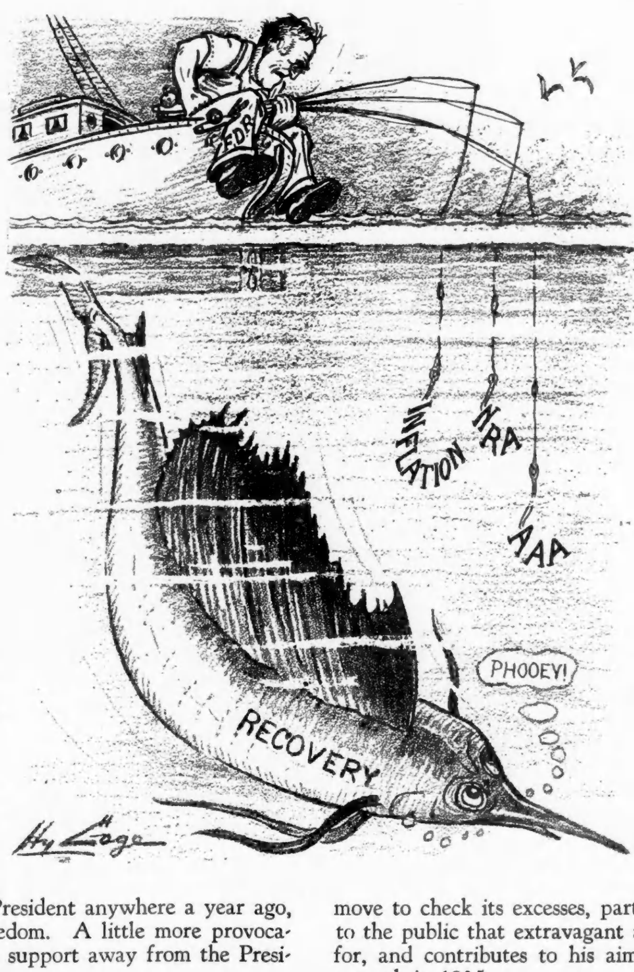
The Political "Safety First"

The political aspect of the direction of Administration policy for the rest of the year may be summed up in the phrase "Safety First."

The country is far better off than it was fourteen months ago, hope for the future has returned and confidence in the business and banking structure and the Government itself has been restored.

As the situation stands Mr. Roosevelt can claim and generally get the credit for a remarkable reversal of business fact and sentiment. Probably a majority of the business men of the country are now for him, and they are still the major factor in determining the drift of public opinion in the cities. The farmers, of course, are overwhelmingly for him.

The country is about at the end of its lending, donating and financing capacity, at least so the taxpayers think. The discreet course would seem to be to give business a chance to see what it can do with fewer inhibitions than it has had. Whether it is merely another case of the devil's lack of religious interest on return to health, there is no doubt that a multitude of business men who were willing to follow the President anywhere a year ago, now yearn for their old freedom. A little more provocation may turn some essential support away from the President and his party.



Considerable losses of seats in the lower house are expected by the Democrats. Fifty net loss—a reduction of 100 in the Democratic majority—is contemplated. Risky monetary legislation might alienate much needed support. It certainly would if it resulted in a skyrocketing of prices between now and election time, followed by a collapse. On the other hand, a conservative expansion of business volume and a gradual rise of the price livel, which would follow increasing "natural" activity of business—confronted by the lofty credit possibilities of gold devaluation, Federal Reserve surpluses and Government obligations—would be helpful to the party in power.

But the President, recalling that his desertion of gold was the one indisputable star play of his first year, is cautiously enamored of the possibilities of business magic in controlled inflation, despite the gold-purchase flop.

President Has Not Changed

The President has not changed his general views of the necessity of profound social changes, but he is a practical politician. He is not turning to the right in conviction, but he is in expediency. The middle will be far enough for that. He will not concede much in the way of recession from any accomplished legislation. It is now doubtful whether any major change will be made in the Securities Act. (The President is still unconvinced that it is a real constrictor of capital investment.)

On the other hand there will not be an excess of sorrow in the White House if the Wagner labor bill should fail to get through Congress before adjournment. And the White House now regards the 30-hour week bill as an anachromism in 1934. The counter thought is that it is better for the community to carry the whole dead weight of unemployment rather than permit it to choke resuscitating industry by diluting payrolls and raising production costs.

The legislation which the President wishes Congress to pass is, pretty much all along the line of business liberation.

First and foremost is the reciprocal tariff bill, although many people would consider that a business-upsetting measure. The President regards it as essential to normal business recovery.

He would like to see the revenue bill less onerous but will not move to check its excesses, particularly as it is a reminder to the public that extravagant appropriations must be paid for, and contributes to his aim of a balanced budget, all around, in 1935.

He truly regrets the teeth which have been extracted

(*Please turn to page* 105)

Happening in Washington

By E. K. T.

N R A Arguments, for and against, were all over the place in Washington last week. The annual meeting of the Chamber of Commerce of the United States brought thousands of business men to town, and everyone of them had a firm convicition about N R A, based on his personal experience. The outcome of the informal debates was rather generally that since business was so much better than it was before N R A, the latter should be given the benefit of the doubt for the past. But now and then a doubter ventured to remark that the best business he had had since business zero in March, 1933, was just before N R A went into action. In some lines of industry opinion was almost unanimous in favor of the New Deal as manifested in business control but, on the whole, opinion seemed to be that N R A is a present nuisance. Yet I met a big manufacturer from the West Coast who was almost ready for physical encounter with anyone who expressed the slightest trace of skepticism about N R A. And he is an ardent Hoover Republican.

Many of the lobby debaters recurred again and again to the comparative ease with which minimum prices had been established and maintained.

Canada, somebody remarked, without an N R A and comparatively without other artificial business cures, has made as good a recovery as we have. The West Coast man was rendered almost speechless, but it was possible to make out that he was violently inviting the wide world to visit Washington state and the neighboring province of British Columbia before committing itself to the proposition that Canada had recovered fully as well as the United States.

Silver was heterodoxically discussed on the side lines and orthodoxically indorsed in the Chamber resolutions for international action. But next day all that the mercantile wiseacres had resolved was imperilled by a 40-mile talk between Washington and Baltimore. As the Presidential train steamed to the Woodin funeral that interval was turned over to nine members of Congress intent upon making a big killing for silver—30 per cent of the nation's metallic reserves to be white metal, which would mean the purchase of all the loose silver in the world and then some.

Cool but nervous Senator Pittman who has lived a life of silver smiled when the journey was over. Inflation was almost in sight, and another bonanza age hovered over the Sierra Nevadas, poised to descend on the desolation of Virginia City, Tonopah, Goldfield and the Wingfield banks.

Rackets have fastened themselves like barnacles onto N R A. Business has again shown its ineradicable belief that there is always some sly and devious way to "get around" the Government—a belief fully justified by the old records but grand, in its ingenuousness, for the racketeers. I want to hand it to Roosevelt and his staff for their strenuous efforts to break up this hoary ring of racketeering—of "slick" political lawyers and professional lobbyists who collect enormous fees for Washington representation which could be outclassed by a postage stamp. I recall a lawyer who got $25,000 for a study of legislation affecting a certain industry, and managed to omit all mention of the most important document in the whole business. With millions of bewildered and baffled business men impinging upon N R A and A A A through hundreds of codes and thousands of governmental regulations, the opportunities for playing the part of public affairs medicine men have been numberless.

Advice: Deal with your Washington problems through your Code Authority, your national association, come here yourself or send a member of your staff if that seems wise, but flee from the "fixers."

Intolerance is always the curse of great power. In the long controversy over the securities act and stock exchange legislation there has continually cropped out the suggestion, if not the outright assertion, that there was something sinister in even the presentation of securities investors arguments adverse to these measures. . . . Twenty million investors can't be right. . . . "Propaganda" is coming in Washington to mean any effort to influence public opinion or legislative judgment contrary to an administration measure. Like efforts on the other side are always constructive, patriotic and righteous.

The Durable Industries Committee, which is an N R A offshoot, although General Johnson disclaims any responsibility for it, has been sedulously aspersed because it has opposed some of the legislation born of the fury of the times as inimical to business recovery.

Japan is causing a lot of perturbation in Washington. The arrogant tone of the Tokio spokesman concerning Japan's lordship of China and the Sun empire's industrial success in uniting cheap but efficient and intelligent labor with the most modern machinery (a union which laughs at all tariffs), present promise of endless political and business friction.

Stabilization fund mobilization is taken to mean that the President intends to fight for the dollar at 59.06. A year ago we embargoed the export of gold lest it should

(Please turn to page 107)

First-Quarter Statements Indicate New Trend in Earnings

Variations in Gains Among Industries But General Improvement Is Apparent

By JOHN D. C. WELDON

THE statistical indexes tell us that economic recovery is under way. But while investors may find satisfaction in inspecting favorable figures on steel operations, automobile production, car loadings, electric power output and other such generalities, the question of really practical importance is: Just how is all this working out in corporate earnings? The proof of the pudding is in the eating. It is the dollars and cents of earnings—or deficits—upon which investors focus their eyes.

And so we will herewith dig into the quite numerous corporate reports now at hand, covering the results of operations during the first quarter of this hopeful year 1934.

Consumption Goods Lead

First, however, a few generalizations of investment significance. As was the case last year and, in fact, throughout the depression, first quarter earnings of companies representing consumption goods industries are much nearer normal than are earnings of the durable goods companies. On the other hand, the rate of improvement in earnings during the first quarter was greatest in the heavy industries.

An investor looking for common stocks currently yielding 5 to 6 per cent will, as a rule, have to look to consumption goods companies. By the same token, the probable appreciation to be had in most such stocks can only be limited, for earnings which are relatively near normal can not be expected to double or triple except over a very long period of time, if ever.

On the other hand, stocks of many companies still operating in the red quite probably can be regarded as offering inherent promise of ultimate very substantial appreciation, assuming—as we no doubt can—that normal prosperity lies somewhere ahead. If a given corporation is strong enough to promise indefinite survival and if it is operating in a basic industry, the greater the scope of its depression, the greater the scope of speculative opportunity offered in its common stock. Among such companies, first quarter earnings are interesting only in that they point a trend.

Let us begin by examining typical first quarter reports of companies falling under the first general classification outlined above. This includes companies that sell us much of the food that we eat, the chewing gum that we chew, the beverages that we drink, the tobacco that we smoke, the soaps, tooth-pastes and cosmetics that we use and the proprietary products with which we dose ourselves.

Food Companies Gain

Most of these companies have relatively stable earning power, but most, of course, show considerable improvement in comparison with the low level of corporate earnings prevailing in the first quarter of 1933. Among the foods, Standard Brands, which also has a stake in liquor, earned 33 cents a share in the first quarter, against 24 cents a year ago; General Foods earned 70 cents, against 61 cents; Loose-Wiles Biscuit earned 67 cents, against 58 cents; Beech-Nut Packing, 87 cents against 78; United Biscuit, 52 cents against 41; Cream of Wheat, 61 against 52.

Hershey Chocolate earned $1.64, against 76 cents. Shattuck earned 7 cents a share in the first quarter, as compared with a deficit a year ago; Great Western Sugar earned $2.98 a share, against 84 cents; General Baking's net was unchanged at 15 cents; National Biscuit's unchanged at 42 cents; American Chicle earned 98 cents a share, against 77 cents a year ago; and William Wrigley, 93 cents, against 90 cents.

Bristol-Myers earned 95 cents a share in the first quarter, against 85 cents in the first quarter of 1933; Zonite Products earned 15 cents, against 9 cents; Lehn & Fink,

Significant First-Quarter Reports

	1934	1933
General Foods	$3,679,650	$3,238,168
Procter & Gamble	4,031,841	2,451,052
Corn Products	2,298,411	2,098,613
Beech-Nut Packing	382,532	347,021
Atlantic Refining	613,000	*3,127,000
Chesapeake & Ohio	7,040,496	4,487,470
Consolidated Gas	15,424,171	19,147,707
American Telephone	33,032,108	32,383,187
duPont	11,628,154	5,480,515
Union Carbide	4,337,939	1,658,465
Hercules Powder	872,926	226,978
General Electric	4,566,000	2,838,810
National Biscuit	3,066,620	3,082,828
Johns-Manville	*76,081	*953,799
Industrial Rayon	672,307	229,376
Bethlehem Steel	*902,044	*5,769,451
United States Steel	*6,989,965	*16,730,271
Westinghouse	*1,776,152	*3,491,592
National Steel	1,642,328	280,844
Standard Brands	4,302,626	3,180,059

* Deficit.

50 cents, against 28; Walgreen, $1.05 against 51 cents; and Lambert Co., 98 cents, against $1.10.

Companies supplying us with cigars did somewhat better and those selling liquor did tremendously better. Consolidated Cigar earned $1.21 per share, against 35 cents; and General Cigar, 52 cents, against 4 cents. National Distillers, as is not surprising, earned $1.90, against 10 cents. American Commercial Alcohol earned $2.65, against 39 cents. Among others whose products can be found in most of our kitchens or bathrooms or both, Procter & Gamble earned 59 cents, against 34; Corn Products, 74 cents, against 65 cents; and Penick & Ford, 71, against 64. Glidden Co. earned 60 cents, as compared with a deficit in the first quarter of 1933.

Fuels Come Out of the Red

For convenience, the oil companies also fall into the classification of those making products for immediate consumption. Sharp recovery in this group is due chiefly to production control and more stable refining margins, thanks mainly to N R A. Associated Oil earned 34 cents a share, against 4 cents a year ago; Seaboard Oil, 29 cents, against 24; Tidewater Oil earned 35 cents; Standard Oil of Kansas, 88 cents; Atlantic Refining, 23 cents; Plymouth Oil, 20 cents; and Continental Oil, 25 cents. The last named five companies all showed deficits in the first quarter of last year.

Reflecting abnormally severe winter weather, coal companies experienced a temporary boom in earnings. Thus, Island Creek Coal earned 70 cents a share in the March quarter, as compared with 19 cents a year ago. Lehigh Coal earned $1.01, against 43 cents.

Utility companies also derived some benefit from cold weather during the quarter, but still greater aid from generally improved business conditions. On the unfavorable side, costs of materials and labor were higher, taxes were higher and rates averaged lower. For the majority of gas and electric companies, the unfavorable factors outweighed the favorable. Thus, Brooklyn Union Gas earned only $1.55 a share in the March quarter, against $1.71 in the first quarter of 1933; Brooklyn Edison, $2.66, against $3.44; Consolidated Gas, $1.10, against $1.43. Telephone companies, however, with rates better maintained, showed general improvement; Bell Telephone of Pennsylvania earned $10.13 per share of preferred, against 7.76 a year ago; Illinois Bell earned $1.63 per common share, against $1.22; New England Telephone, $1.44, against $1.16; American Telephone & Telegraph, $1.77, against $1.74.

The majority of merchandising enterprises do not report quarterly, but available reports in limited number confirm what is known beyond doubt: that is, that better price margins have enabled the vast majority of department stores and chain store systems to return to a profitable basis. Montgomery Ward in the two months ended March 31 earned 23 cents a share, against a deficit in the corresponding period of 1933. Showing a remarkable comeback, first quarter net of Spiegel, May, Stern Co. was $3.04 a share, against a deficit a year ago.

At this point our effort to analyze earnings under the two classifications of consumption goods and durable goods runs into difficulties. The automobile industry does not fit exactly into either. The automobile is a semi-durable product. Some buy it out of savings, but most out of income. In any event, the motor industry has been the most prosperous of the major manufacturing industries. April sales have been somewhat disappointing and may foreshadow a more pronounced falling off later on. First quarter earnings, so far as the leading units are concerned, are highly favorable. For this period General Motors earned 63 cents a share, against 11 cents a year ago. Chrysler reported net profit of 76 cents a share, against a deficit a year ago.

With demand centering largely on the products of these and of Ford, Hupp Motor, Hudson, Packard and Auburn continued to show deficits. Of particularly interest is the record of Nash, which lost $123,720 for the three months ended February 28 on shipments of nearly 10,000 cars. Notable as a low-cost producer, this company was able in former years to make money on a much smaller volume of sales. The answer is that costs of materials and labor have risen and that Nash, pressed by the competition of the Big Three, has not been able to offset its higher costs adequately in its selling prices.

Motor accessory companies reflect, of course, the automobile industry's revival. Bendix Aviation earned 36 cents a share in the first quarter, against a deficit a year ago; Stewart-Warner earned 13 cents, as compared with a deficit a year ago; Bohn Aluminum showed $1.84, against 28 cents; and Motor Products earned 41 cents a share, against net loss in the same quarter of 1933.

Chemical companies also constitute a special group and a decidedly favored one. Monsanto Chemical reports $1.56 per share earned in the first quarter, as compared with 69 cents a year ago; Air Reduction, $1.21, against 45 cents; Atlas Powder, 92 cents, against a deficit; Hercules Powder, $1.18, against 7 cents; Mathieson Alkali, 38 cents, against 21 cents; Union Carbide, 48 cents, against 18 cents; and duPont 90 cents, against 35 cents.

Heavy Industries Approach Profits

Turning to the makers of durable goods, we find that the majority of companies are still in the red, but are much closer to the profit side than was the case a year ago. Typical of this group, United States Steel's deficit of $16,730,271 in the first quarter of 1933 was reduced to $6,985,965 in the quarter ended March 31; Bethlehem's deficit was reduced from $5,769,451 to $902,044. Among the smaller specialty steel company's, National Steel earned 76 cents a share in the first quarter, against 13 cents a year ago; Inland Steel turned in a profit of 92 cents a share, against a deficit a year ago; and American Rolling Mill showed 30 cents a share, against a loss of $966,594 in the first quarter of 1933.

General Electric earned 14 cents a share, against 8 cents a year ago; while Westinghouse cut its first quarter 1933 deficit of $3,499,592 to $1,776,152. Westinghouse Air Brake showed a loss, against a small profit a year ago; Yale & Towne Manufacturing Co. reported a small profit, against a much larger deficit a year ago; International Cement managed to earn 8 cents a share, against nothing a year ago; General Railway Signal earned nothing, as compared with 6 cents a share in the first quarter of 1933; Otis Elevator was able to reduce its first quarter 1933 deficit of $608,717 to $252,051; Johns-Manville showed a deficit of $76,081, against a loss of $953,799 a year ago; while United States Radiator nearly halved the loss of a year ago in showing a first quarter deficit of $888,055.

With freight loadings running 15 to 20

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The Pressing Problem of 1934 Maturities

Improving Business and Higher Prices Help Debtors—Securities Act an Obstacle

By J. S. Williams

PERHAPS the main objective of the "New Deal" was to make the debt burden tolerable. Means employed have included the stimulation of business activity and the raising of prices. Although not completely successful, they have been reasonably so on both counts and corporations and individuals now are finding it easier to meet their obligations in respect to interest and principal. There will always be, of course, debtors unable to pay, though business spin like a top at a price level ten times that of the current one. It is, however, indisputable that many debts that looked very sour a year ago are being transferred now at eighty, ninety, or even a hundred cents on the dollar.

Unfortunately, much of the benefit from this situation is being lost. There are naturally many corporations which have experienced better business at higher prices, with consequent improvement in their credit standing, but which, regardless of a soaring bond market, still find themselves financially embarrassed simply because directors and officers will not take the responsibility for raising necessary money by the issuance of new securities. Nor can they be blamed. For example, bonds might be sold on 37.56 miles of perfectly good track and then, if owing to outside circumstances traffic were to fall drastically five years later, officers might well be sued personally under the Securities Act as it now stands, by some disgruntled bondholder on the basis that a material fact had been misstated, in as much as there was actually only 37.38 miles of track!

Among the Important Maturities to Be Met This Year

Date Due	Company	Obligation	Amount	Current Price
Railroads				
June 1	Illinois Central	4½% Notes	$20,000,000	91
June 1	Milwaukee & Northern	Cons. (ext) 4½s	5,072,000	95
June 15	Georgia, Carolina & Northern	1st (ext.) 6s	5,360,000	...
Aug. 1	Minn., St. P. S. S. M.	6% Sec. notes	5,000,000	...
Oct. 1	Gt. Northern Ry. of Canada	1st 4s	5,229,250	100
Nov. 1	Minn. & St. Louis R. R.	1st Cons. 5s	5,282,000	9
Public Utilities				
July 1	Gary Electric & Gas	1st Lien Coll. "A" 5s	8,000,000	52
July 1	Virginia Ry. & Pwr.	1st & Ref. 5s	10,272,000	106
July 1	United Rys. of St. Louis	1st Gen. 4s	17,894,000	19
July 16	Edison El. Ill. of Boston	5% Notes	25,000,000	101
Aug. 1	Brooklyn Man. Transit	6½% Sec. Notes	7,000,000	...
Sept. 15	Western Mass. Cos.	4½% Notes	5,000,000	100
Oct. 1	Androscoggin Electric	1st & Ref. 5s	3,800,000	98
Dec. 1	Minneapolis General Elect.	1st 5s	6,448,000	102
Dec. 1	Gen. Water Works & Elect.	Conv. Deb.	2,650,000	...
Dec. 2	Central Public Service	1%-5% Notes	7,465,809	...
Industrials				
July 1	Sun Oil	5% Notes	4,000,000	...
July 15	Consolidated Textile	7% Sec. Notes	5,569,500	...
Aug. 1	Colorado Industrial Co.	1st guar. 5s	27,636,000	30
Aug. 1	Hanna (M. A.)	Deb. 6s	4,200,000	101
Oct. 1	R. Hoe & Co.	1st "A" 6½s	3,171,000	18
Dec. 1	City Stores	3-yr. 6s	7,407,500	...
Dec. 1	City Stores	3-yr. 5½s	2,592,500	...

That this situation is ridiculous, at last is being realized. Congress may be expected to modify the Securities Act of 1933 at any time. When it does, not only should the issuance of entirely new securities increase, but refunding operations, which have been so necessary and so curtailed even for corporations with a reasonably good credit standing, will be matters of comparative ease. Several of the corporations in the accompanying list — provided there is a change in the Act — undoubtedly will put refunding issues on the market instead of attempting the expensive and not very satisfactory exchanges and extensions that have been so much the vogue over the past year.

There is another aspect to the combination of improving business profits and the ex-

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Low Interest Rates Foreshadow Higher Security Prices

Barring Violent Inflation—Easy Money Indicates Lower Yields on Investments

By Phillip Dobbs

THE bond market has been soaring. The best corporate, long-term issues now yield hardly 4 per cent, and one must go back to the turn of the century for a comparable situation. For the first time in a long while the New York Stock Exchange has not been worrying about making the bond-broker's business as remunerative as the stock-broker's. The other day, New York State sold $50,000,000 in long-term bonds, a portion of which carried a coupon of 2¾ per cent, at a total net cost of 2.9 per cent. Treasury bills, certificates and notes yield nothing at all, if the maturity is within six months. Savings banks are drifting towards a 2½ per cent rate. And if more evidence is needed that matters are becoming unusual, it can be found in the fact that the ordinary tables for computing the yield of bonds to maturity are not calculated for a coupon less than 3 per cent and do not go to yields lower than 2.9 per cent.

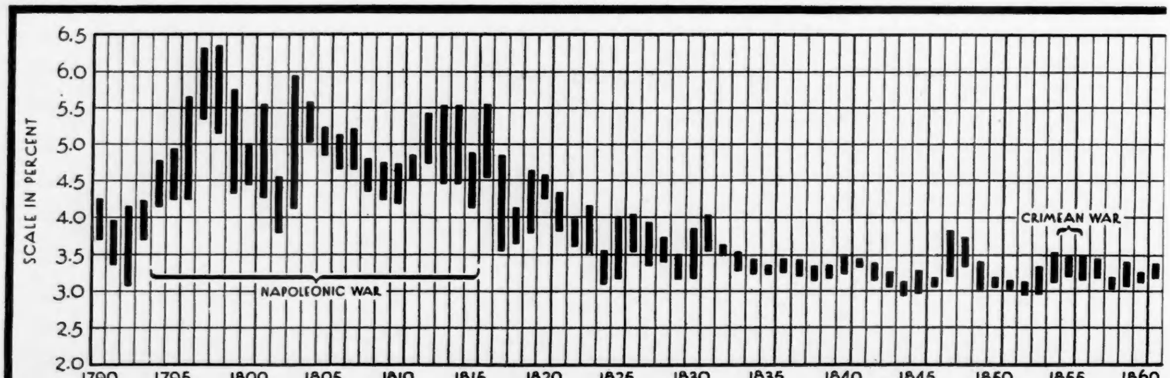
Past Eras of Easy Money

What would be the practical results if the lowness of money rates began to rival those which existed around 1900? At that time, the yield on domestic corporate bonds was slightly better than 3½ per cent. Between 1895 and 1900 British Consols returned less than 2½ per cent—a 2¾ per cent coupon that sold as high as 112, an all-time low record for any class of long-term financing. Today, the bonds of our own government yield around 3 per cent, but because of the tax-exempt feature they are not comparable with the British issue. It is conceivable, however, should the present favorable conditions persist, that the United States borrow money at as low a rate, all factors considered, as any other country has ever been able to achieve.

Causes of Low Interest Rates

The causes of the present cheapness of money are several. (By "cheapness" is meant "low rate for": it has no sense of "depreciation." Likewise, "easy" is a substitute for "cheap"). Foremost among these causes perhaps has been the natural piling-up of liquid funds that always takes place during a long depression and which, as soon as desperate fear is removed, begin an unfruitful search for profitable employment. Then there has been the policy of the Federal Reserve System. By the purchase of Government securities, excess reserves of member banks have been forced to the $1,500,000,000 mark. So far as the member banks of the system are concerned, this is just so much money that they might be using profitably, but for which, because of the legacy of caution from the late depression, there is apparently no place except at a great sacrifice in the rate of return. The search for such a place on the part of this great surplus of loanable money has driven the income from call loans, prime commercial paper and the like, steadily towards the vanishing point.

It is to be noted, however, that a Federal Reserve easy-money policy can only be truly successful when certain outside conditions are favorable. The most important of these, is that business and commodity prices must be on



the mend, however, slowly. In Mr. Hoover's time, a Federal Reserve policy that was identical to the present successful one failed for the reason that people were frightened and business and commodity prices were on the down grade.

The third cause of the present cheapness of money is even more man-made than the Federal Reserve's buying of government securities. It is the Securities Act. By imposing harsh penalties on the honest and unimportant errors of corporate officials, new financing, with the exception of Federal, state and municipal issues, has been almost completely paralyzed. A veritable reservoir of capital has piled up behind this Act which, when it has attempted to escape, found in existing bonds, preferred and common stock the only outlet.

Finally, much talk and writing to the contrary, the country at large has become less fearful of inflation, particularly since we re-valued the dollar and, later, since the President has shown little disposition to follow wholeheartedly the fantastic dreams of certain Congressmen, Senators and "brain-trusters." Now conceivably the country may be wrong, but so long as it believes as it does, inflation is not a factor disturbing to low interest rates. Should inflation progress, or should the public believe that it is progressing, money would no longer be easy.

Will these conditions, so favorable to an era of low interest rates, continue, or are they likely to change in any important respect? If they continue, the practical effects would be extremely helpful to owners of securities, whatever they might be. The bond market would move still higher than even present levels. Common stocks would be influenced favorably, particularly those paying, or about to pay, dividends. On the other hand, if there were a change in the conditions conducive to easy money, the effects would tend to be adverse to the owners of all securities. It is probable, however, that the favorable effects of extremely cheap money are stronger than the unfavorable effects of "dear" money—at least, so long as interest rates do not go excessively high.

Will Conditions Change?

Taking the factors that are making for easy money separately, namely: (1) business dullness (2) Federal Reserve policy (3) Securities Act, and (4) belief in the integrity of the currency, it is quite clear that over the near future the first two can hardly change in marked fashion. Business, of course, continues to improve, but it is a far cry from the point where it would be so active as to absorb the available credit and bring about higher interest rates. Indeed, it is probably a physical impossibility for existing businesses, at the present price level, ever to become so active as to absorb the supply of credit currently available. As for changing the Federal Reserve easy money policy in the near future, it would be like putting on the brakes before the train started. Such a change when, as, and if, it does come, will be in the nature of an effect, not a cause, of some development elsewhere.

It would seem, therefore, that the greatest potential counteracting force to the present period of easy money lies in a modification of the Securities Act, or further disquiet as a result of renewed tinkerings with the currency. Modification of the Securities Act within the near future is almost a certainty and after this has been done, there undoubtedly will be a considerable volume of new financing. It is merely a question of how much.

New Financing and Business Activity

While no very definite answer to this can be given, it is possible to make one or two apparently valid observations. In the first place, the Act never will be entirely nullified. It still will exercise a restrictive influence. In the second place, and this is the more important, the volume of new financing probably depends more on the security purchaser's ideas of what constitutes a satisfactory investment, than on low interest rates and freedom from technical restriction. In other words, regardless of the Securities Act, the business prospect must be sufficiently promising to those with money to invest or it will be left in the bank—and the bank will lend it to the Government for next to nothing, as is happening to some extent today. That this is true has been pointed out before in the Federal Reserve's abortive easy money policy during 1930 and 1931.

Business, however, is mending and profitable opportunities for the employment of capital exist, and will exist in greater number in the future. But it would take a boom in business to bring about a boom in the issuance of new securities, and the former is not in prospect. The conclusion, therefore, is that while sensible modification of the Securities Act will result in some of the existing surplus of liquid capital being absorbed, the quantity to be so absorbed could hardly bring about a decided hardening of money. Moreover, it is to be remembered also that the flow of new securities cannot be turned on like a spigot. Their issuance takes time. Opportunities have to be dug up, negotiations entered into, bargains made, lawyers consulted, and the sales campaign planned or arranged.

The fourth threat to easy money, the most important, and the one about which one can be least certain, is inflation. The public, of course, does not believe that we have had inflation as yet, or that we shall ever have violent inflation

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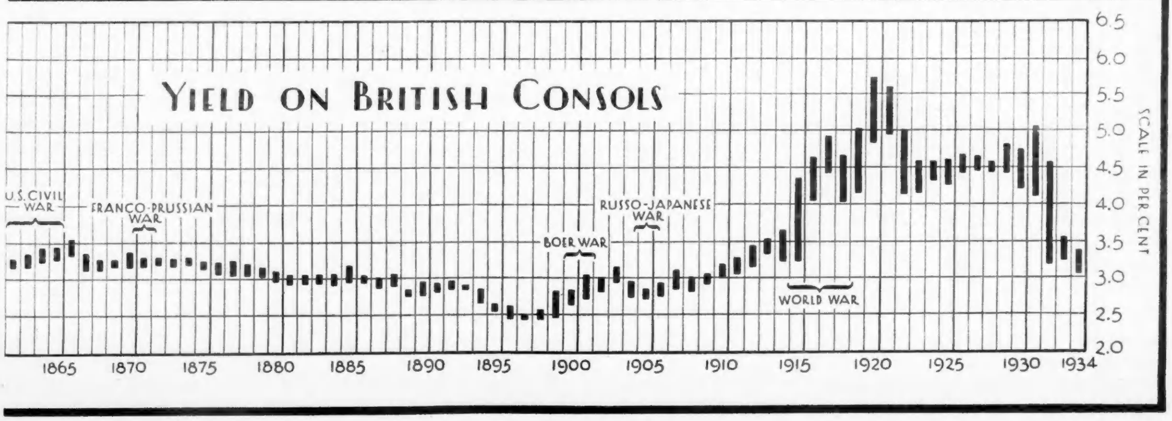


Significant Foreign Events

By George Berkalew

Foreign Representative of The Magazine of Wall Street

France

France possesses a deep rooted distrust of what is termed so aptly in the vernacular of that country "monkey money," swinging precariously by its tail from one level to another in the financial forest, constantly out on a limb; never out of the woods. For this reason France stands staunchly by the gold standard and according to present indications will undoubtedly hold her ground. President Doumergue's recent courageous radio speech accomplished two constructive results: a voluntary acceptance by federal employees and veterans of a reduction of 4 billion francs in salaries and bonuses, and the restoration of public confidence in the government's political integrity thereby banishing immediate fears of renewed revolutionary outbursts. Consequently government bonds rose sharply, and hoarded gold and currency is being gradually withdrawn from the proverbial French stocking. Other encouraging factors are apparent. Railway earnings show satisfactory increases while government revenues realized for the first quarter of 1934 was nearly 96 million francs larger than for the corresponding period of the preceding year. In spite of continued slackness in general business activity and the adverse commercial trade balance, it is believed the treasury will for some time to come be able to meet its obligations without recourse to currency manipulation.

* * *

German Economy

The predominant importance of the adverse German trade balance in connection with her ability to transfer interest and other payments has occupied a conspicuous place in recent discussions of the German economic outlook. Indications on the immediate horizon are, to say the least, extremely pessimistic. Hitler's newest move has again reduced the official allotment of foreign exchange for purchases of materials abroad to 35 per cent, already 50 per cent below former years of normal international trade. Since Germany still ranks fourth as a customer of the United States, an unfavorable reaction on our export business is inevitable. It is possible that Germany's decision to restrict imports may be interpreted as a tactical move for the acquisition of trade advantages. Commercial agreements, however, are likely to prove of small benefit for the reason that an increase in the price of raw materials, coincident with world economic recovery, would place German exports of finished goods at a disadvantageous position in foreign markets. Furthermore, German financiers are becoming increasingly aware of the fact that America and other creditor nations will not prove as gullible in the extension of export credits as in the case of reparations, which operated with such amazing success from Germany's standpoint two years ago. It is hoped that if our Export-Import bank undertakes to finance exports to Germany it will not function merely as an institution of charity.

* * *

Historical Meeting

Poland, re-born as a nation eight years ago, has grown rapidly to the period of adolescence and now with the self-assurance of maturity is playing France, Germany and Russia against each other for political advantage. France, alarmed at German-Polish reconciliation, sent its Minister of Foreign Affairs Barthou to Warsaw to strengthen the Franco-Polish alliance based on an accord signed in 1921. In view of present unsettled conditions in Europe and the strategic position of Poland in its political and economic frame, significant importance is attached to the outcome of these negotiations. The purpose of Mr. Barthou's mission is not merely to foster a platonic friendship with Poland, but rather to enforce a shotgun marriage with its even more sinister implication of "until death us do part." In this respect French diplomacy might be justly criticized for focussing undue attention on Eastern European problems, while underrating the advantages to be derived from more cordial relations with the United States and England.

* * *

American Aircraft

While commercial aviation in the United States may have suffered a serious blow as a result of the cancellation of air mail contracts, contracts for the delivery of a substantial volume of planes abroad have been concluded during recent months. Sweden operates exclusively American machines on the newly inaugurated Stockholm-Paris route, while Switzerland placed a large order of light planes manufactured in the United States. Our aviation companies have established branch factories in China, and Japan is reported to have voted a twenty-five million dollar budget for aviation during the coming year. Furthermore, according to well informed but unofficial sources of information, the French government recently purchased, for over two million francs, the building rights and a trial tri-motor plane of the Lockheed-Electra Co. These developments should be reflected in greater activity for various American companies in a position to satisfy foreign requirements and specifications.

New Oil

American petroleum companies which regard France as an important outlet became alarmed over reports of the discovery of oil in Morocco. The news, on the other hand, was enthusiastically received by France when initial rumors stated that the new supply would be sufficient to meet her consumption requirements. Subsequent information, however, although not officially confirmed, indicates that the new wells are not as rich as previously believed, but due to serious outbreaks of fire it is impossible at this time to estimate the potential supply, or the effect on American interests in world markets.

* * *

British Black Shirts

Sir Oswald Mosley becomes more of a public joke in England than ever as "the old country" steadily pulls out of the commercial, financial and fiscal quagmire of the past thirteen years. Those years ought to be prophetic of the future for any Fascist or any other radical change in England. Revolutions do not come when economic conditions are on the upgrade. What the Labor party could not do when it was in power the Fascists can not accomplish in their almost invisibility of minority. To the English people the Black Shirts are merely a symbol that England is aware of the latest political fashions in other countries.

* * *

Japan's Bluff

Japan has again opened in the international poker game for Far Eastern stakes. She won all the chips in the hand played with the League of Nations in Manchuria. Now, with characteristic cunning, she boldly raises the ante for the prerogative of raking in the Chinese pot.

Japan's present position appears, however, perplexingly ambiguous. Her apparent intent to promote peace and commercial collaboration so recently emphasized by her Washington envoys did not lead us to expect such a brusque and uncompromising protest against foreign intervention in China. The fact must not be overlooked, in spite of these pronouncements, that Japan cannot afford to jeopardize her established channels of commercial intercourse by imperious dictates to powers already none too friendly. For example, Japan's penetration in Asiatic markets has already proved a sore point with Great Britain. Furthermore, various interests in the United States are protesting against the importation of Japanese manufactured articles at prices that prohibit legitimate competition.

Viewing the situation from another aspect, China represents the only unexploited territory for sales expansion and industrial development. It is unlikely, therefore, that either the United States or England will abandon any project of profitable business enterprise in China, and will insist on a strict observance of the open door policy, regardless of Japanese protests.

* * *

Cotton Boomerang

Reports from London foreshadow an unpleasant repercussion from the Bankhead law. British textile industries, it is said, will forego forward buying, making purchases on a hand-to-mouth basis. Effect, it is thought, will be a lower average price for cotton. Renewed drive in France for intra-empire trade will probably include further efforts to stimulate cotton production under the tricolor.

* * *

Taxation

While new taxes in the U. S. are on the soak-the-rich principle French taxation reforms are on the theory that indirect taxes, through costly burdens on productive capital, are more oppressive to the people than levies on small incomes. America prefers to tax the goose that lays the golden eggs; France favors taking a toll from the eggs. In England they seek to help the income-making machine by reducing taxes on automobiles, preferring to look for increased revenues in increased sales, particularly abroad. This may mean increasing competition for American motor cars from British makers.

* * *

Money Policies

Italy is still making great deflationary sacrifices in order to hold the lira to its present gold valuation, preferring to continue on that course to floating a foreign loan to provide exchange protection. Reports from Berlin intimate that Germany, on the contrary, is tending to abandon the deflationary method of increasing exports by lowering domestic costs and prices in favor of inflation of the currency. In the meantime, British foreign trade forges ahead on the paper pound sterling; gold again flows to France but goods do not flow out. The battle between inflation and deflation is nearing the final stages all over the world. Deflation in France is compromised by the inflow of gold, which tends to raise prices. Devaluation of the franc may be forced by internal and external commercial considerations quite aside from the actual gold position. However, present price deflation effort will make devaluation

(Please turn to page 108)

Wide World Photo

Sir Oswald Mosley, British Fascist Leader, Addresses 10,000 in Albert Hall, London

Oil Giants Struggle for World Markets

Standard Oil and Royal Dutch in the New World Oil Center

By N. O. Fanning and M. P. Stead

Range of Oil Stocks Securities Associated With South American Development

	Where Traded	1934 Range High	1934 Range Low	Current Price	Current Annual Dividend
S. O. of N. J.	N.Y.S.E.	50⅛	44⅛	44¼	$1.00
Royal Dutch, N. Y.	"	39⅛	33½	33½	*1.07½
Inter. Petrol, Ltd.	N. Y. Curb	27⅜	19⅜	26½	*1.56
Imperial Oil, Ltd	"	15⅛	12⅝	14¾	.65
Creole Petrol	"	13⅜	9⅝	12¼	...
Colon Oil	"	3¼	1¼	2½	...

* Including extras.

ON two small islands of the Dutch West Indies, sixty miles off the coast of Venezuela, are two oil refineries which rank among the largest in the world; one, on the island of Curacao, is owned by the Royal Dutch-Shell combine, the other, on the island of Aruba, is owned by the Standard Oil Co. of New Jersey.

Operated by organizations with world-wide marketing facilities, these refineries, having nearby an abundant and growing supply of low-cost crude petroleum in Venezuela and Colombia, South America, and strategically located to compete with American oil in world markets, furnish the key to the present trend of world oil competition.

The World Situation

The petroleum industry achieved a remarkable stability of demand through the depression and promises great future expansion as a result of such factors as the domestic oil-heating plant, the airplane, and the Diesel-electric railroad locomotive, which fields are considered in their infancy.

The United States, with 61 per cent of the world's oil production, has dominated world oil markets up to the present time. There is, however, a "new deal" in the American petroleum industry. Following the era of a flood of low-cost oil from flush American fields depressing world prices, drastic production restrictions were enforced, and crude oil prices have advanced under this artificial stimulus.

The limitation "per well" of crude oil production has automatically increased the current unit cost of producing crude oil, and there has been a further rise in costs resulting from the necessity of deeper drilling. Thus, average costs are rising above the level of those in the low-cost and large-scale producing fields of some foreign countries. Only in Venezuela, however, does this advantage seem significant at the present time.

The inability of the American oil industry to maintain its dominance in world markets, in view of these developments, would be a good thing for the American as well as the foreign oil trade since it would foreshadow conservation of American oil and the end of its flood in foreign markets. This would undoubtedly bring the area embracing the oil fields of northern South America and nearby refineries into greater prominence. These fields and refineries are closely controlled, economically and efficiently operated.

Russia and Iraq have been represented as offering serious threats to the stability of the world oil industry. Russia, however, is consuming an increasing percentage of her own oil products, and, as the second largest oil producing country, supplies only 11 per cent of the world's requirements. The Iraq field is scheduled to begin shipping oil at the rate of 80,000 barrels daily, late this year. This field will then be supplying only 2/10 of 1 per cent of the world's oil needs. Since Iraq production is equally divided among four powerful groups, two of which are Standard Oil and Royal Dutch-Shell, this oil should be easily absorbed.

Two Refineries Typify World Trend

The small islands of the Dutch West Indies, on which the refineries of Royal Dutch-Shell and Standard Oil Co. of New Jersey are situated, are nearer the markets of South America, Europe, and the Orient (via the Panama Canal), than is the Gulf Coast of the United States, the chief source of American export oil.

The two refineries have expanded and flourished through the depression; the present expansion of their capacity and the activities of the companies controlling them in the nearby oil fields of Venezuela, signify the important place given them in the present improving oil vista. These refineries could supply even the rich American Atlantic Seaboard markets in competition with oil from the principal American fields were it not for the import taxes on petro-

leum products and crude oil, enacted by the United States in 1932.

Standard and Dutch-Shell as Competitors

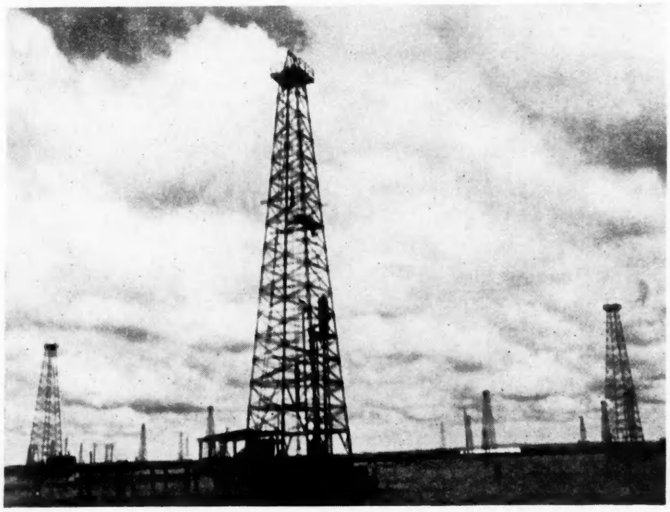
The Standard Oil Co. of New Jersey is the largest oil company in the world, and the Royal Dutch-Shell combine is its chief competitor in world oil markets. The more important operations of these two interests are naturally watched with intense interest because they indicate trends pointing to future developments in the world oil industry. Accordingly, their activities in developing new oil fields and in constructing refineries of major size, in and adjacent to northern South America, are regarded as pointing to this territory as the possible future hub of the industry, the greatest single source of petroleum and its products for world consumption, in future years. The rich oil possibilities, alone, of the fields of Venezuela and Colombia would appear to justify such a conception.

These possibilities are not fully indicated by current statistics which credit Venezuela with a daily crude oil production of 340,000 barrels, the Standard refinery at Aruba, with a daily capacity of 150,000 barrels, and that of the Royal Dutch-Shell at Curacao, with a capacity of 180,000 barrels. However, the potential crude oil production of Venezuela is estimated at double the current rate, while next door is Colombia, a country with much greater potential production than the present actual rate of 33,000 barrels daily.

Standard Oil and Royal Dutch-Shell, each, has an enormous investment in oil fields and refineries in this territory, running well above $100,000,000 in each case.

The Standard Oil Co. of New Jersey, in 1932, purchased from Standard of Indiana the foreign properties of Pan American Petroleum & Transport Co. These properties, now under the name of Pan American Foreign Corp., a 99-per-cent-owned Jersey subsidiary, include the Aruba oil refinery and the oil producing properties of the Lago Petroleum Corp. in Venezuela, yielding approximately 110,000 barrels of crude oil daily.

The Standard Oil Co.'s subsidiary, Creole Petroleum Corp., in recent years has developed new oil fields in central and eastern Venezuela, and now boasts an actual daily crude oil production of more than 50,000 barrels.



Pumping oil well in Maracaibo Lake Field, Venezuela

In addition, the Jersey company, through International Petroleum Co., Ltd., controls large crude oil production in Colombia. This output is currently restricted and little, or none, is going to the Aruba refinery, but it, nevertheless, forms a possible nearby reserve if needed.

Standard Oil Co. of New Jersey, through its various subsidiaries, is estimated to have a potential crude oil production of as much as 500,000 barrels a day in Venezuela and Colombia, roughly divided as follows:

Lago Petroleum, Venezuela, 200,000; Creole Petroleum, Venezuela, 100,000; International Petroleum, Ltd., Colombia, 200,000; total, 500,000 barrels daily.

International Petroleum Co., Ltd., is controlled by Imperial Oil, Ltd., of Canada, which company is, in turn, controlled by the Standard Oil Co. of New Jersey.

These developments are part of the plan of the latter company to extend its position in world markets with a supply of oil independent of production within the borders of the U. S.

Royal Dutch Activities

The Royal Dutch-Shell combine is equally determined to maintain and perhaps increase its position as a world wide seller of oil. It not only controls the Curacao refinery, which rank with the Bayonne, N. J., plant of the Jersey Standard as the largest in the world, but also a smaller plant on the island of Aruba, and three oil-producing subsidiaries in Venezuela, namely, Caribbean Petroleum Co., Ltd., Venezuela Oil Concessions, Ltd., and the Colon Oil Corp. The current daily rate of production of these three subsidiaries is approximately as follows: Caribbean, 40,000 barrels; V.O.C., 110,000, and Colon, 18,000; total, 168,000. The potential production of these companies is estimated to be greatly in excess of these figures.

The Gulf Oil Corp., through various subsidiaries, has a daily crude oil production in Venezuela of approximately 50,000 barrels, and is actively developing oil concessions in eastern Venezuela and Colombia. In the latter country, Carib Syndicate is participating with Gulf in the de-development of the Chaux-Folsom (better known as Barco) concession.

The refined petroleum, produced in the Curacao and Aruba oil refineries, is already finding far-flung outlets. The greater portion is going to various European countries, most of the balance to South American countries, and some to the United States.

Considerable significance is attached to the recent combination of Standard of New Jersey and Socony-Vacuum interests in the Near and Far East, where a new marketing organization has been formed, coupled with the activity of the Standard in expanding the Aruba refinery and building up production of crude in Venezuela. It is believed that this will eventually result in shipments of refined products from the Aruba plant to Oriental markets by way of the Panama Canal.

In the event that the United States should again require foreign oil for its own consumption, the fact should not be overlooked that the Aruba and Curacao plants would be the logical suppliers.

The markets of the Atlantic Seaboard of the United States and of Europe require more than 1,000,000 barrels

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Subsidizing the Farmer

The Price of Wheat, Corn, Hog, Cattle, Tobacco and Milk Benefits Is Bureaucratic Regimentation of Agriculture

By C. S. Burton

AGRICULTURE has at last broken into the charmed circle where governmental favors are distributed. No longer does the sheltered industrialist have the circle all to himself. The principal governments of the world are engaged, each one, in some form of rescue work for their farm population.

Naturally there are two viewpoints, as in every world market question. The exporting nation wants a market on which it may sell and the importing nation cannot buy unless it, in turn, can find such markets for its exports as will provide foreign balances, by this means enabling it to meet its payments abroad.

Without trying to outline causes or fix responsibility, it may answer our purpose to say at this point that in the striving for national self-sufficiency, the agriculturist is one of the chief parties in interest.

As we stand at the present moment our planters and farmers are to come under the jurisdiction of the Department of Agriculture. There are questions in plenty to be met:

Wheat and what to do about it? Corn and hogs and what to do about each? Tobacco and what to do about it? Milk and what to do about the dairy? Cattle and what to do about beef, hides, hoofs, horns and bone meal?

So, to review first things first:

Wheat is a world problem. The International Wheat Advisory Committee has met in Rome and adjourned to meet again in London during the first week in May. Adjournments are among the very best things which international conferences do successfully. The discussions of the Committee apparently centered on two points—the establishment of minimum export prices and acreage curtailment. The moving spirit so far as our part in the conference is concerned was Frederick E. Murphy, the Minneapolis publisher, who has devoted many years to farm problems and particularly to wheat. Mr. Murphy is to go to the Argentine very soon to try to work out details for the meeting in London.

The Position of Wheat

It is almost too much to hope for international concord in wheat for the one reason, if for no other, that wheat is such an adaptable cash unit in world trade. Easily handled by machinery, an ideal ship cargo, not perishable, and always marketable—at some price. It may be at once understood why exporting and importing nations alike want the market unhampered save as to each one's individual tariffs, quotas, and other trade hurdles. The result is that regulations of one kind and another have accumulated until the story of trade barriers in agricultural products is a long one in itself. Changes, made without notice, are so frequent that the wheat exporter, who normally trades on the narrowest of margins, is almost as much of a gambler as the farmer was when he had to depend solely on the weather. Now that the grower is sheltered under the "parity price" he has rather the better of the exporter who must face world-trade haps and hazards.

It is almost impossible to arrive just now at any kind of an outlook for wheat. More than five hundred thousand wheat growers entered into agreements with the Agricultural Adjustment Administration to reduce their wheat acreage by 15 per cent, figured on the average acreage for the three years 1930, 1931 and 1932. These farmers have now received their first payment of 20 cents a bushel on their allotment. The checks which have been mailed up to March 15 amounted to $61,771,453. States into which the Government has sent one million dollars or more are sixteen in number, Kansas leading with $16,000,000; North Dakota, $7,192,000; Oklahoma, $4,451,000; down to Missouri just getting in the million-dollar class. A further payment of 8 cents per bushel is scheduled to be made after farmers have presented proof of compliance with their agreements.

Processing Tax

It now develops that it is to be necessary to raise the processing tax from around 30 cents per bushel to around 40 cents per bushel on account of the declining price for wheat.

The government position is that the farmer shall have in addition to the farm market price for his wheat such further benefit payment as shall bring him such parity purchasing power—in terms of the things he buys—as he had in the years 1909-1914.

The processing tax went into effect last June when the parity price was 91 cents and the average farm price 59; with a processing tax of 30 cents, the additional parity payment was nominal. Since that time industrial prices—prices of the things the farmer buys—have advanced sharply, while wheat has declined. The parity price of a bushel of wheat, i.e., expressed in terms of what the farmer buys, would

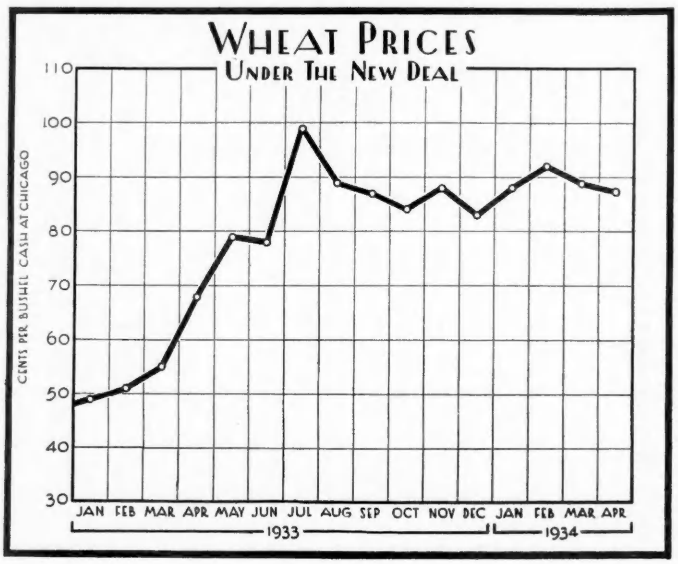
now be around $1.05 to $1.08 per bushel while the farm price of wheat has declined to around 60 cents. With a processing tax of 40 cents the parity payment will still have to be 8 cents or more.

The processing tax as it operated last year at 30 cents per bushel indicated that it would produce somewhere about $125,000,000; if boosted to 40 to 50 cents it would probably bring in some $75,000,000 additional. Of course, if the farmer is to be thus protected against a falling market by a larger payment from the Government, he becomes specially subsidized, and we see all of the people who eat bread taxed to raise a special fund for the wheat grower. The farmer who raises wheat and takes his grist to the mill is exempt from the processing tax, so his government check shall be net to him.

Figured on a gold basis our wheat is not so very far above the record low price made in the early part of 1933 or late in 1932. May wheat in Chicago at 77 cents means about 60 cents farm price in Kansas; figured in terms of gold cents of the old par value, the Liverpool price has been right around 40 cents a bushel for five months or more.

The Weather Steps In

The scarcity program of the Administration is finding some cardinal assistance in the weather. Along with an announcement that 573,723 acreage reduction contracts (North Dakota, 101,712; Kansas, 93,852; South Dakota, 49,234), have been received, which are expected to throw 7,500,000 acres of wheat land out of production, there are continued reports of disastrous lack of moisture. Crop reporters are wiring in stories of irreparable damage done to winter wheat by drought and dust storms in Texas, Oklahoma, Kansas and Nebraska. The Nebraska dust storm — it rouses memories. The writer knows from experience just what a dust storm is. Every atom of loose soil goes down wind; for days and nights on end the wind roars; the dust-loose top soil drifts like snow. The roots of young and growing wheat are laid bare as if one had used a whisk broom. Not only has there been a lack of precipitation but the fields are short of reserve subsoil moisture, the prime necessity in the prairie states.



The present wheat market is watching the sky, listening to the weather man and scanning his maps. It does not take a very long look ahead to see prices starting to climb if acreage curtailment and serious crop shortage work together. The recent precipitate decline of something like 12 cents a bushel was on political news; the recovery seems to be on rainfall and temperature, real farm dictators.

Perhaps the carryover that seems so burdensome now may become a life preserver. The carryover means to the farmer unsold wheat in the granary, perhaps in the stackyard. To the compiler of figures in the Department such grain is merely "on farms." The supply position as of April 1 is figured thus:

Carryover July 1, 1933 (July 1 being the beginning of the wheat crop year)		
On Farms	**100,000,000**	
Country elevators	**75,000,000**	
Visible	**92,000,000**	
Mills	**100,000,000**	
In transit	**10,000,000**	
Milled ahead of consumption	**20,000,000**	
Total		**397,000,000 bu.**
Estimated Disappearance to July 1, 1934		
Regular consumption	**120,000,000**	
Spring wheat seed	**22,000,000**	
Farm feed	**15,000,000**	
Total Disappearance		**157,000,000**
Leaves carryover July 1, 1934		**240,000,000 bu.**

Now our real trouble with wheat is not the size of these figures resulting in a carryover of 240 million bushels and a condition that promises a crop of 510,000,000 bushels of winter wheat. Our difficulties, which are also the difficulties of other nations, are the walls which the grain is expected to scale in its travel from the harvest field to the oven.

The world surplus in the four exporting nations—our own country, Canada, the Argentine and Australia—is figured, as of March 1 at 667 million bushels, 250 million bushels less than a year ago, but former importing nations, even England, are trying to cut down imports by increasing domestic production. As a result, there is but very little wheat in the world that is not subsidized.

Idle Land Must Indeed Be Idle

It is a bold step to throw more than 11 per cent of our wheat acreage out of production and insist that no crops for sale purposes or for livestock feed shall be grown on the land. The wheat land under contract may not even be used for a kitchen garden, or a watermelon patch. It seems to be something of a contradiction that it is permissible to seed it to clover or cowpeas to be plowed under and improve its fertility.

Although there is almost no limit placed upon the power delegated to the Agricultural Adjustment Administration, the weather remains without disciplinary control and it is possible that it may quite override all other factors in the current crop year.

When the A A A sought support for its scarcity program among the hog raisers, it found even greater support than among the growers of wheat. Corn, beef, cattle and hogs are almost as much one problem as is a barrel of crude oil out of which we get so many combinations of hydrogen and carbon.

The corn-hog reduction campaign is about to come to a close with almost 1,200,000 farmers under contract out of 1,500,000 who were asked to join the movement. Any promoter would call such a campaign a grand success.

The farmer growing corn and feeding hogs becomes a

(*Please turn to page* 106)

The Magazine of Wall

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Naturally, it is understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated either by the tabular matter or by the comment. For those who desire to employ their funds in fixed income-bearing securities we have "double starred" the issues which appear to us most desirable, safety of principal being the predominant consideration; while a single star designates those which, while somewhat lower in quality, nevertheless provide an attractive income, or offer possibilities of price enhancement.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Chesapeake & Ohio Ry.								
★★1st Cons. 5s, 5.1.39	222	30	3.2	3.7	N C	108	3.3	Of the highest grade.
Gen. 4½s, 1992	222	50	3.2	3.7	N C	108	4.1	Still strong, tho junior to issue above and prior liens thereto.
Ref. & Imp. "B" 4½s, 1995	222	60	3.2	3.7	110*	102	4.4	Junior to two issues above.
Hocking Valley 1st Cons. 4½s, 1999	222	16	3.2	3.7	N C	105	4.3	Assumed by C. & O. Better grade bond.
Chicago, Burlington & Quincy R. R.								
Gen. 4s, 1958	220	84	1.2	1.6	N C	102	3.9	High grade investment bond.
1st & Ref. "A" 5s, 1971	220	70	1.2	1.6	107½ '42*	107	4.6	Prior liens total some $160,000,000, but still strong.
★★Illinois Division 3½s, 1949	220	84	1.2	1.6	105	99	3.6	High grade.
Colorado & Southern Ry.								
Ref. & Ext. (now 1st) 4½s, 5.1.35	58	36	.8	.9	101	96	8.8	Reasonably strong, tho refunding may prove problem.
Gen. "A" 4½s, 1980	58	20	.8	.9	110*	79	5.8	Junior to issue above.
Fort Worth & Denver City 1st 5½s, 1961	58	8	1.6	..	105 '35*	104	5.2	Good grade bond.
Erie R. R.								
Cons. Prior Lien 4s, 1996	271	35	.8	1.1	N C	94	4.3	Road does better. Better grade.
★Cons. Gen. 4s, 1996	271	88	.8	1.1	N C	77	5.3	Junior to issue above.
50-yr. Conv. 4s, 1953	271	30	.8	1.1	N C	77	6.1	Junior to two issues above and prior liens thereto.
Ref. & Imp. 5s, 1975	271	124	.8	1.1	105*	75	6.8	Junior to three issues above.
Chicago & Erie 1st 5s, 1982	271	12	.8	1.1	N C	107	4.6	Better grade bond.
Louisville & Nashville R. R.								
Unified 4s, 1940	237	70	.8	1.2	N C	103	3.4	Standing improved by increase in earnings. Almost high grade.
1st & Ref. "C" 4½s, 2003	237	58	.8	1.2	105 '39	94	4.8	Junior to issue above.
10-Yr. Sec. 5s, 1941	237	10	.8	1.2	103 '36*	105	4.2	Collateral is valuable. Better grade.
L. & N. Atlanta, K. & C. Div. 4s, 1955	237	25	.8	1.2	N C	99	4.1	Better grade.
Northern Pacific Ry.								
Prior Lien & Land Grant 4s, 1997	309	106	.9	1.0	N C	98	4.1	High grade investment.
Gen. Lien 3s, 2047	309	55	.9	1.0	N C	70	4.3	Junior to issue above, but still strong.
★Ref. & Imp. "B" 6s, 2047	309	145	.9	1.0	110 '36	100	6.0	Junior to two issues above.
Union Pacific R. R.								
★★1st R. R. & L. G. 4s, 1947	355	100	2.4	2.4	N C	104	3.6	An investment of the highest grade.
1st Lien & Ref. 4s, 2008	355	86	2.4	2.4	107½	99	4.0	Junior to issue above, but still strong.
40-yr. 4½s, 1967	355	27	2.4	2.4	102½*	101	4.4	Unsecured by mortgage, but are good quality investments.
40-yr. 4s, 1968	355	20	2.4	2.4	100	94	4.3	
Oregon Short Line 1st 5s, 1946	355	29	2.4	2.4	N C	111	3.8	High grade.
Oregon-Washington R. R. & Navigation								
1st & Ref. 4s, 1961	95	72	def	....	105	97	4.2	U. P. guarantees.
Oregon R. R. & Navig. Cons. 4s, 1946.	95	23	def	....	N C	102	3.8	Prior in lien to issue above.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Alabama Power Co.								
1st Mtge. 5s, 1946	97	71	1.8	1.7	105	89	6.3	Good grade, but Government operation of Muscle Shoals unknown factor.
1st Lien & Ref. 5s, 1951	97	61	1.8	1.7	104½*	84	6.6	Ranks slightly below 1st 5s.
1st & Ref. 4½s, 1967	97	63	1.8	1.7	101½*	68	7.0	Ranks slightly below 1st lien & ref. bonds.
Brooklyn Union Gas Co.								
1st Cons. 5s, 1945	49	15	3.0	2.8	N C	111	3.8	Of the highest grade.
1st & Ref. "B" 5s, 1957	49	16	3.0	2.8	107*	107	4.5	Junior to issue above, but still high grade.
Deb. 5s, 1950	49	18	3.0	2.8	105*	103	4.7	Strong bond, tho not secured by Mtge.
Houston Ltg. & Pwr. 1st & Ref. "A" 5s, '53	28	28	2.6	2.6	103*	103	4.8	Better grade.
★Jersey Central Pwr. & Lt. 1st & Ref. (now 1st) "C" 4½s, 1961	42	42	2.1	..	105*	93	5.0	Better grade.
Laclede Gas Light Co.								
Ref. & Ext. 5s, 4.1.34 (Ext'd)	36	10	1.5	1.3	....	91	7.2	Offered cash payment of $21.60 for five-year extension
1st Coll. & Ref. "C" 5½s, 1953	36	23	1.5	1.3	103*	64	9.7	Junior to issue above, tho $10,000,000 of the former pledged hereunder.
Louisiana Power & Light 1st 5s, 1957	18	18	2.4	1.9	105*	91	5.7	Reasonably good bond.

Street's Bond Appraisals

Public Utilities (Continued)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Massachusetts Gas Cos.								
★20-Yr. 5½s, 1946	51	16	2.0	2.0	105	100	5.5	Ranking equally, both these issues are good grade.
★Deb. 5s, 1955	51	24	2.0	2.0	103	93	5.6	
Boston Con. Gas Deb. 5s, 1947	11	11	5.5	..	105	106	4.4	Senior to two issues above. Strong bond.
Milwaukee Gas Light 1st 4½s, 1967	13	13	2.7	2.6	107½*	103	4.3	Better grade.
Minnesota Power & Light Co.								
1st & Ref. 4½s, 1978	36	29	1.7	1.5	101¾*	77	6.0	Medium grade.
Great Northern Power 1st 5s, 2.1.35	..	..	..	..	110	100	5.0	Good sound issue.
New England Power 1st 5s, 1951	11	11	3.9	4.3	105	..	..	Better grade bond.
New Orleans Public Service, Inc.								
1st & Ref. "B" 5s, 1955	55	30	1.3	1.2	104*	63	8.9	Second grade.
Gen. 4½s, 7.1.35	55	12	1.3	1.2	105	54	..	Junior to issue above and prior liens thereto. Maturity may prove embarrassing.
New York Edison								
1st Lien & Ref. "B" 5s, 1944	123	85	5.0	4.4	105*	107	4.1	High grade investment bond.
N. Y. Gas & El. Lt., Heat & Pwr. 1st 5s, 1948	123	15	5.0	4.4	N C	113	3.8	Assumed by New York Edison. Gilt edged.
do P. M. 4s, 1949	123	21	5.0	4.4	N C	105	3.6	
Ohio Edison Co.								
1st & Cons. 5s, 1960	68	27	2.2	1.9	105*	94	5.4	Medium grade bond.
Northern Ohio Pwr. & Lt. Gen. & Ref. 5½s, 1951	68	18	2.2	1.9	105*	98	5.7	Ohio Edison assumes. Medium grade.
Penn-Ohio Pr. & Lt. 1st & Ref. 5½s, '54	68	19	2.2	1.9	104*	102	5.3	Also assumed by Ohio Edison. About same grade as issues above.
Southern California Gas Co.								
1st & Ref. (now 1st) "B" 5½s, 1952	27	12	2.7	2.7	102½	104	5.2	Better grade.
1st Mtge. & Ref. 4½s, 1961	27	21	2.7	2.7	105*	95	4.8	Ranks slightly below issue above.
Union Electric Light & Power (Mo.)								
★★Gen. (now 1st) 5s, 1957	93	64	2.1	1.8	104½*	105	4.6	Better grade investment.
Miss. River Power 1st 5s, 1951	20	17	2.5	2.1	105	105	4.6	Strong bond.
Un. El. Lt. & Pr. of Ill. 1st 5½s, 1954	8	8	5.9	6.2	103*	107	4.9	Good, sound issue.

Industrials

Aluminum Co. of America Deb. 5s, 1952	35	35	..	..	105*	103	4.7	Real caliber difficult to ascertain, but probably good grade.
★American Rolling Mill Deb. 5s, 1948	40	37	def	.7	103¼*	90	6.1	Large recent maturity successfully met. Business much better. Medium grade.
Goodrich (B. F.)								
1st 6½s, 1947	38	16	def	1.0	107	104	6.1	Fairly sound issue.
Conv. Deb. 6s, 1945	38	22	def	1.0	105½*	87	7.8	Junior to issue above.
National Dairy Products Deb. 5¼s, 1948	70	70	3.9	2.7	103¼*	95	5.8	Chaotic conditions in dairy industry weaken somewhat this once strong issue.
New York Dock Co.								
1st 4s, 1951	20	13	1.1	1.0	105	62	8.2	Of fair caliber.
Notes, 5s, 1934/1937	20	7	1.1	1.0	101	..	..	Junior to issue above.
★Remington-Rand Deb. "A" 5½s, 1947	18	18	def c	..	104*	90	6.7	cYear to 3.31. Company strong financially and doing better.
Swift & Co.								
1st 5s, 1944	48	21	def b	4.6b	102½	107	4.2	bYears to 10.31. High grade.
5% Notes, 1940	48	26	def b	4.6b	102	103	4.4	Junior to issue above.
Texas Corp. Deb. 5s, 1944	98	90	.6	..	101½*	102	4.7	Business improved. Now better grade.
Tobacco Products (N. J.) Coll. Tr. Deb. 6½s, 2022	35	35	..	..	100	106	6.1	Secured pledge lease agreement with Am. Tobacco. Appears sound issue.
Youngstown Sheet & Tube 1st "A" 5s, 1978	90	90	def	def	105*	84	6.0	Further recovery expected for this year. Medium grade.
Wheeling Steel 1st & Ref. (now 1st) "B" 4½s, 1953	26	26	def	.4	102*	85	5.8	Position improved. Medium grade.

Short-Term Issues

	Due date							
★★Atlantic Refining Deb. 5s	7.1.37	14	5.9	10.1	N C	106	3.2	Better grade investment.
Buffalo Gen. El. 1st Ref. 5s	4.1.39	7	2.6	....	105	108	3.3	High grade bond.
Chicago Gas Light & Coke 1st 5s	7.1.37	10	1.9	....	N C	105	3.5	Better grade investmnt.
Gulf Oil Deb. 5s	12.1.37	28	1.4	def	103½	105	3.4	Better grade issue.
Humble Oil & Refining Deb. 5s	4.1.37	19	9.1	18.2	102	105	3.2	Normally a very wide margin earned over interest requirements. High grade.
Midvale Steel & Ordnance Conv. 5s	3.1.36	31	def h	def h	105	102	3.9	hEarnings Bethlehem Steel. Better grade.
★★New York Telephone 1st & Gen. 4½s	11.1.39	61	3.4	4.6	110	106	3.3	Gild-edged.
Pacific Tel. & Tel. 1st & Coll. 5s	1.2.37	26	4.1	3.8	110	107	2.6	Of the highest grade.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded debt and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as **105 '36** means that the bond is not callable until **1936** at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices. ★★ Our preferences where safety of principal is predominant consideration. ★ Our preferences where some slight risk may be taken in order to obtain a higher return.

Demand from Heavy Industries Brings Profits to Refractory Makers

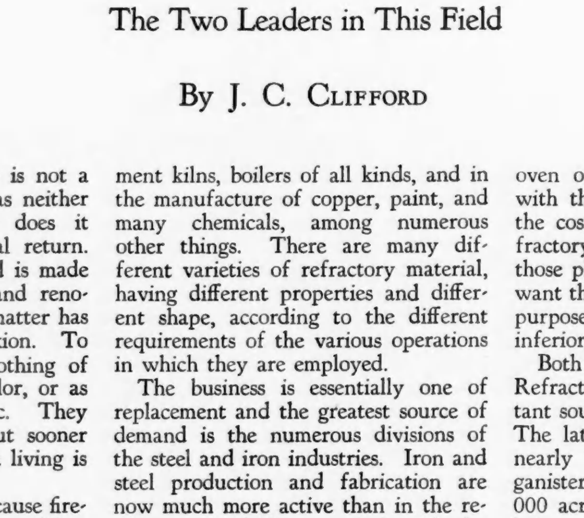
The Two Leaders in This Field

By J. C. CLIFFORD

TO most of us a firebox is not a thing of interest; it has neither aesthetic appeal, nor does it hold out promise of financial return. But to those whose livelihood is made by the original installation and renovation of firebox linings the matter has an entirely different complexion. To them, a firebox is as the clothing of those in the street to the tailor, or as automobiles to the mechanic. They are things that will wear out sooner or later, and in their repair a living is to be made.

Nor must it be thought, because firebox linings and the like are a subject little known to the majority, that the business is not a large and important one. It is large, important, and under normal conditions of industrial activity, profitable. The two principal companies in this field employ under favorable conditions — 1928-1929—some 12,000 individuals, have today combined resources of $82,000,000, and have shown combined earnings in the best years of almost $9,000,000, after all expenses and charges, including depreciation and depletion.

These two companies—Harbison-Walker Refractories Co. and General Refractories Co.—have many points of similarity. The business is one of taking such raw materials as fire-clay, ganister (silica), magnesite and chrome ore, grinding them, mixing them, molding them to the desired form, and then burning them in kilns. The finished brick is used for lining steel furnaces, coke ovens, cement kilns, boilers of all kinds, and in the manufacture of copper, paint, and many chemicals, among numerous other things. There are many different varieties of refractory material, having different properties and different shape, according to the different requirements of the various operations in which they are employed.



The business is essentially one of replacement and the greatest source of demand is the numerous divisions of the steel and iron industries. Iron and steel production and fabrication are now much more active than in the recent past and this, coupled with the improvement in other lines, has greatly brightened the outlook for those engaged in manufacturing refractory materials. There is another point in connection with the business that needs to be emphasized. It is, that the cost of fire-brick in any furnace, coke-oven or boiler, is so small compared with the original cost of the unit, or the cost of its operation, that the refractory companies are not among those plagued with prices. Consumers want the best possible product for their purpose, rather than one which may be inferior, although slightly cheaper.

Both Harbison-Walker and General Refractories are themselves an important source of their own raw materials. The latter, and smaller company, has nearly 36,000 acres of fire-clay and ganister properties, of which some 29,000 acres are owned outright and the balance leased. In addition, it owns other lands from which it obtains aluminous clay, and has a 40% interest in the Northwest Magnesite Co. which owns the only large commercial deposits of magnesite in the country. General Refractories' properties are such that it will be able to supply the greater part of its own raw materials for a great number of years to come.

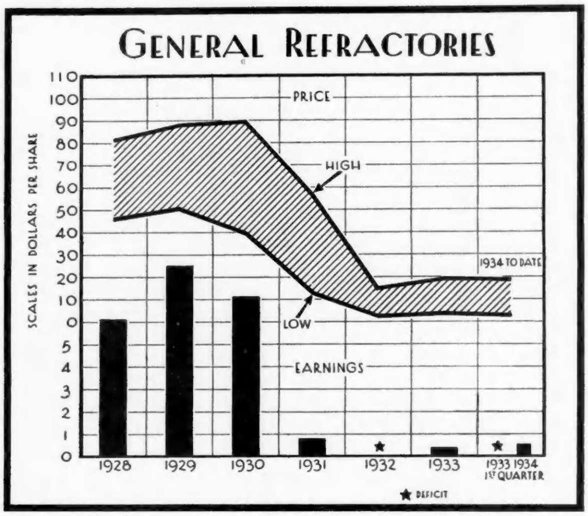
Harbison-Walker's properties are even more extensive. They aggregate 116,000 acres and the company owns the remaining balance, 60%, in the Northwest Magnesite Co. Both refractory companies own and operate numerous plants throughout the country and maintain sales offices in many of the principal cities. Other raw materials, including additional magnesite and chrome ore, are imported by them under contract.

The history of the two companies has been one of constant expansion.

This has taken two forms: (1) The acquisition of land and the absorption of independent manufacturers of refractory materials, and (2) The development of improved manufacturing processes and of improved products, calculated to meet the needs of modern industrial practice.

This expansion had, and will continue to have for some little time, an important bearing on the position of the stock of one of these companies—General Refractories. In the annual report of this company for 1930 it was said: "During 1930 your company added substantially to its properties, five additional plants and valuable and extensive mineral lands having been purchased. . . . These purchases, together with the additional working capital required for bank balances, inventories, etc., required a considerable cash outlay, which was financed through bank loans at favorable low interest rates. The company's ratio of current assets to current liabilities, however, was materially reduced; the stockholders therefore approved an increase of $5,000,000 in indebtedness, to enable the funding of this floating debt at any time, and accordingly $5,000,000 in two-year 5% notes were sold as of March 2, 1931 . . ." Need more be said than that these notes fell due two or three days before every bank in the country was closed and after two years of steadily declining business for the unfortunate debtor?

While this is quite enough for realization of the highly embarrassing position in which General Refractories found itself, the manner in which it was extricated is of interest. The business was costly, naturally. A new issue of $6,000,000 in 6%, five-year, first mortgage, cumulative, income bonds was first offered to stockholders. All unsubscribed bonds, up to a total of $5,000,000, were to be exchangeable for the company's maturing notes, while the balance of $1,000,000 was to be employed in securing bank loans and obtaining additional working capital. All but a very small amount of the notes were exchanged for the new issue. This was attractive. It had to be, in view of general conditions. Not only did the new bonds constitute a closed mortgage upon the properties of the company, but they were further secured by pledge of the company's 40% interest in Northwest Magnesite. At the same time they carried a non-detachable warrant entitling the holder to buy 40 shares of stock at $5 a share and the indenture contained a provision that one share of stock should be given to the holders of the bonds on each semi-annual interest date as compensation for delay if the interest were not forthcoming. No dividends can be paid on the common stock so long as the bonds are outstanding. Finally, a voting trust agreement was set up for the common for the life of the bonds. Briefly, and to use a crude but descriptive phrase, the bondholders "got everything but the kitchen stove" and, by so doing, afford an excellent illustration of the dangers in short-term financing. Old stockholders, of course, will find that their equity in the company has been materially diluted.



Worst Troubles Over

Harbison-Walker suffered from decreased business during the depression just as did General Refractories and, like the latter, was obliged to borrow from the banks. Harbison-Walker, however, never had the problem of maturing notes to add to its worries over bank loans, which loans, it might be noted at the end of 1931 and 1932 stood at slightly in excess of $2,000,000.

Fortunately, the general pick-up in industrial activity, particularly in steel operations, has put the worse phases of the depression behind both companies. In the middle of last year Harbison-Walker reinstated dividends on its 6% cumulative preferred and in the spring of this year the last of the accumulations were liquidated. At the same time, the balance sheet, as of December 31, showed that the notes payable to banks, which had stood at $2,050,000 at the end of the previous year, had been paid off also. Earnings for the full year 1933 were equivalent, after allowing for dividends on the 30,000 shares of 6% preferred, to 42 cents a share on each of the 1,380,000 shares of no-par common stock. Note should be taken that aside from the preferred and common stocks mentioned here the company has no capital liabilities.

General Refractories' emergence from the depression is almost identical to that of Harbison-Walker. The former's earnings for 1933 were equivalent to 36 cents a share on the combined 120,254 shares of no-par common stock and the 129,952 voting-trust certificates outstanding in the hands of the public, and excluding the stock and the certificates held in the company's own treasury. In 1932 there was a net loss of more than $2,000,000. Here, too, the balance sheet at the year end, 1933, showed that all bank loans had been liquidated.

So far this year, the manufacturers of refractory materials have continued to fare comparatively well. Harbison-Walker earned the equivalent of 21 cents a share on its common stock in the first quarter and declared a dividend of 25 cents a share to be paid June 1. The company, however, made it quite clear that this was not to be considered as establishing a regular rate. General Refractories earned 52 cents a share in the three months ended March 31, last, compared with a large loss last year. As of the same date, the balance sheet of this company also reflected improvement. Cash was up from $199,417 to $480,093 and bank loans of $450,000 had disappeared.

Moreover, the outlook is distinctly hopeful. Steel output is at a new high for the year and promises to go higher. Railroad traffic continues reasonably good and there are numerous straws indicating that the heavy industries generally are stirring after a long sleep. As it is the heavy industries that contribute most to the demand for refractories, it is conceivable that the makers of these materials gain over the near future a measure of their pre-depression earning power. As a matter solely of record, Harbison-Walker earned in 1928 and 1929 the equivalent of $2.94 and $3.52 and

(*Please turn to page* 101)

Its Problems Are Many But They Can Be Solved

Rich Territory—Able Management

By Roger Carleson

THE New Haven is the dominant railroad of thickly-populated, but conservative, New England. Its territory felt the full force of depression somewhat belatedly, and in recovery is likewise lagging a bit behind the national parade. Thus, the road did better than the general run of railway systems in 1932, but worse than the majority in 1933.

The general difficulties of railroading in depression, however, and special difficulties of its own are nothing new to New Haven. It has come back before, after crashing from respected eminence into the financial gutter, and probably will do so again—in time. How long a time? That depends, first, upon the restoration of normal business activity and, second, upon the solution of certain special problems.

Many railroads, such as Atchison, Union Pacific and New York Central, have risen from small beginnings, surmounted recurring difficulties and attained dominant positions. Few roads, after rising to a premier place, have ever suffered as appalling disaster as New Haven. Its common stock was once—and for many years—a "Blue Chip" of New England, esteemed by thrifty investors.

Bad management and over-ambitious expansion ended that happy era many years ago. Under President Charles S. Mellen, the objective was to acquire control of all transportation mediums in New England and along the New England coast. There were commitments galore in traction and steamship properties and few of these ventures justified the cost.

This is ancient history. The debacle was followed by slow and laborious reconstruction under the management, successively, of Howard Elliott, who was moved over from the successful Northern Pacific by J. P Morgan & Co.; of Edward J. Pearson and Edward G. Buckland; and, in recent years, of President John J. Pelley. In the good years following the depression of 1921, New Haven stock crept up from close to nothing; dividends were restored and in 1929 more than 11% was earned on the common shares.

Then came the four years of the great depression, and soon the problem for railroad executives was not reconstruction but survival. The history of the past can not be ignored in any appraisal of New Haven's present outlook, for in that history some of the road's present problems have their roots. Some of the old "white elephants," notably the New York, Boston & Westchester and other traction properties, are still loaded upon its back.

Moreover, recent years of widening use of motor trucks and buses and increasing individual travel by passenger cars have presented an important new problem to New Haven. Its main line extends only over the relatively short distance between New York and Boston. Its densely-populated territory is thickly packed with towns and cities connected by a network of good highways. It is territory ideally suited to short-haul motor transportation.

Passenger revenues have always been of far greater importance to the New Haven than to the majority of roads. This income began to decline in 1927. For that year passenger revenues amounted to more than $49,000,000 and were 35.3% of gross revenues. Last year the total was only $20,474,644, which was 30% of gross revenues. Freight revenues were 54.7% of gross at the 1929 peak of $77,914,000 and about 58% of gross in 1933, when they totalled $38,636,000. Coal loadings account for about 30% of the road's freight and this traffic is not readily subject to motor competition. But in addition to the general effects of depression, loadings of manufactures and miscellaneous freight have suffered from trucking inroads, constituting 37.7% of freight last year, against 39.5% in 1927. Products of agriculture make up 12% of total freight, and here too motor trucks have cut in.

The problems here indicated are important, but should not be permitted to distort the perspective. The losses due to motor competition are, after all, secondary to the much greater losses due solely to economic depression. The secondary problems may retard recovery of New Haven stock to par, but the point is academic while this equity is quoted at $19. Gross revenues were $142,000,000 in 1929, $100,000,000 in 1931 and only $67,000,000 last year. It was the collision with depression, rather than with the automobile, that did most of this damage. It may be that the 1929 revenues will not again be seen in a generation, if ever, but certainly the 1931 traffic would not seem impossible of ultimate

(Please turn to page 101)

Five-Year Operating Record

	1933	1932	1931	1930	1929
Freight Revenues	$38,636,828	$40,975,029	$54,304,178	$62,857,804	$77,914,094
Passenger Revenues	20,474,644	24,809,836	34,425,958	42,274,947	46,842,159
Fixed Charges Covered	.70	.98	1.57	1.98	2.34
Earned Per Share	Def.	Def.	$3.05	$7.33	$11.72

Five Stocks of Speculative Merit

Favored by Probability of Ultimate Substantial Expansion of Earning Power

SELECTED BY THE MAGAZINE OF WALL STREET STAFF

Grand Union Co.

ATTRACTIVE primarily for the liberal yield which they afford, the preference shares of the Grand Union Co., would also appear in line for moderate enhancement in value as the security of dividends becomes more assured. Current evidence gives weight to the probability that the low point in the company's sales and earnings has definitely been passed and gradual improvement will be the order of events from now on.

Organized in the spring of 1928, the Grand Union Co., brought together a number of independent grocery stores, small chains and a number of concerns retailing groceries through the medium of wagon routes. The present organization operates a chain of 639 grocery stores located throughout the New England and Middle Atlantic states, and an extensive wagon route system covers rural territories in 24 states. About one-third of the company's stores are of the large market type, handling, in addition to groceries, meats, fish, fresh vegetables and bake-stuffs. Merchandise handled by wagon routes is confined to non-perishable package foods. The company operates its own bakeries, a packing plant and coffee roasting and blending facilities.

Earnings Per Share (Preference Stock) 1932	1933	Recent Price	Div.
$3.77	$2.16	37	$3.00

From the time of its organization in 1928 sales expanded steadily and achieved a peak of more than $38,000,000 in 1930. From the latter year, the weight of general business depression forced sales to the low level of $28,293,000 last year, a decline of 6% from 1932. The volume of sales last year, however, began to show modest, but consistent, improvement from July and for the first thirteen weeks of the current year, the gain shown over the same months of 1933 was about 8%. Considering the general advance in food prices which has occurred since the first quarter of last year, it is not likely that the sales gain registered by Grand Union represents a corresponding gain in tonnage sales. At the same time it seems safe to conclude from the showing that the trend is toward improvement.

In each of the three years subsequent to its organization the company reported net income equivalent to over twice the dividend requirements on the preference shares and in 1932, the $3 dividend was covered by a margin of 77 cents. Last year income applicable to the preference stock was equivalent to $2.16 a share, requiring withdrawal from surplus of about $134,000 to maintain regular dividends. This was accomplished, however, without impairment to the company's financial position. Current assets at the close of the year totalled $4,920,669 as against current liabilities of less than $1,000,000. In the first quarter of this year, profits were again sufficient to cover preference dividends by a small margin.

Outstanding in the amount of 159,550 shares, the preference stock is the senior capital obligation of the company. The shares carry the privilege to convert into the common stock of the company on the basis of 1½ shares of the latter for each share of preference—but with the common selling at 7, obviously no value attaches to this privilege at the present time. Quoted at 37, to yield better than 8%, the preference shares should appeal to individuals seeking better than an average return, reasonably safeguarded by earnings and prospects.

Westinghouse Electric & Manufacturing Co.

THE business of Westinghouse Electric is concerned primarily with the manufacture of durable or capital goods which are paid for in normal times by money obtained by its customers from the sale of securities. Due, however, to artificial impediments placed upon the sale of new securities and a psychology born of the depression the public and industrial investment in improvements and betterments has been severely restricted. Responsible authorities everywhere are unanimous in their contention that business recovery from this point on must rely more and more upon the revival of heavy industries. Moreover, this belief is being given tangible recognition by the Administration through the formulation of plans designed to stimulate home building and reconstruction and the purchase of new railway equipment. Of equal significance, are the reliable reports that President Roosevelt is in favor of some modification of the legislation affecting the sale and marketing of securities in a manner calculated to facilitate the flow of credit from savings institutions to legitimate borrowers. The success of these endeavors would doubtless pave the way for a substantial improvement in the business of Westinghouse Electric.

Earnings Per Share 1932	1933	Recent Price	Div.
def. $3.44	def. $3.28	37	..

Although outranked in its field by General Electric and Western Electric, Westinghouse stands high among large and important industrial organizations. The company manufactures a wide diversity of electrical products ranging from a complete line of household ap-

pliances to heavy electrical equipment used in the operation of public utilities, railroads and steamships. Westinghouse has important foreign interests and sales branches are maintained throughout the world. A large and progressive research division is an important phase of the company's activities and has accounted for many new and improved products.

Last year the total sales billed by the company amounted to only $68,188,353, a decline of more than 11% from 1932; the lowest volume of business since 1916. In the circumstances, the ability to limit the loss to $8,636,841 as against $8,903,540 in 1932 reflects considerable credit upon the success of the management in reducing costs and maintaining plant efficiency. There was also a loss of about $3,656,000 in 1931—the losses in these three years being the only ones suffered by the company in the past twenty years. Throughout the period of declining business, the company has continued to make adequate provision for depreciation and finances have been maintained beyond any question of doubt as to the company's ability to weather a prolonged period of restricted business. At the end of last year net working capital, including nearly $14,500,000 in cash, totalled $70,825,218 or the equivalent of nearly $27 a share on the 2,666,341 combined shares of participating preferred and common stock.

The company entered the current year with unfilled orders on its books of nearly $27,000,000—slightly more than at the beginning of 1933. In the first three months a total of $20,100,000 in new orders was booked, an increase of about 57% over the initial quarter of last year, and March orders were larger than in any month since April, 1932. As a consequence, the first quarter loss of $1,776,152 was practically half of that for the same months of 1933. On the strength of this showing, it is evident that no considerable further revival would be required to take the company definitely "out of the red." The substantial increase in current orders presages further improvement in the second quarter.

Common shares totalling 2,586,341 and less than 80,000 shares of preferred stock comprise the moderate capitalization of Westinghouse. Visualizing anything in the nature of reasonable success for the Government's efforts to stimulate the heavy industries, the ensuing improvement in the company's business could be translated into common stock earnings at a relatively rapid rate. Under the circumstances, and with only a difference of some $10 a share between recent quotations for the common and the equity of $27 a share in net quick assets, the shares are not excessively appraised and might be acquired to excellent advantage for holding over a normal investment period.

Schenley Distillers Corp.

Earnings Per Share 1933	Recent Price	Div.
$3.35	31	..

THE time which has elapsed since the repeal of the Eighteenth Amendment has been so short that the business of distilling and selling spirituous liquors continues subject to many changes and uncertainties, involving taxes, demand, competition and prices. Until it is possible to gauge these factors accurately the investment risks will be equal to those in any young industry in the early stages of development. The industry, however, is not without interesting opportunities for speculative profits and already several companies, adequately financed and controlling established brands are well in the van of competitors in their bid for leadership. Schenley Distillers is definitely in this classification.

Additions completed or in the process of construction will give Schenley an annual productive capacity of 20,000,000 gallons of rye and bourbon whiskey, or practically triple the original capacity. As a result the company will rank second only to National Distillers in point of size. In effect, it is a holding company whose subsidiaries are engaged in the principal phases of the distilling industry, including the importation of beers and liquors. Two of the distilleries owned by Schenley were operated throughout the period of prohibition under Government permits, manufacturing liquor for distribution to doctors, druggists and hospitals. As a consequence a number of the company's brands have established something of a reputation. Among the better known brands are Golden Wedding, Melvale, Old Stagg, Sam Thompson, Gibson, O.F.C., Green Brier and Silver Wedding. Jas. E. Pepper, another well known brand, was added to the company's line last July. One might logically question the value of known brands, contending that the average person today has little or no knowledge of reputable brands of pre-prohibition liquors. Responsible retail purveyors, however, have shown a preference for the brands of established quality and this should have a tendency to educate public tastes and judgment.

From the outset the industry has recognized the need for keeping prices low, not only for the purpose of sustaining demand but to defeat the bootlegger. This, however, has been a difficult matter due to the heavy burden of taxes, Federal, state and municipal, imposed upon the industry. Taxes and license fees have been imposed with such discrimination as to suggest that contrary to their original purpose of raising much-needed revenue, they will curtail both sales and tax revenue. Until this phase of the situation is rectified, it will remain a threat to distillers' profits. There is a possibility however, that the industry will receive some relief from Federal taxation, at least, if the recommendations of Joseph H. Choate, Federal Alcohol Administrator, are heeded.

From July 11, 1933, the time of the company's incorporation, to December 31, last, Schenley earned a profit of $3,522,307, equivalent to $3.35 a share on 1,050,000 shares of common stock, comprising the total capitalization. This period, although including less than a month of repeal was characterized by an abnormally large demand due to the stocking of inventories by retailers, a tendency which will also be reflected in the results for the first quarter of the current year. Giving allowance, however, to this temporary situation, the company's earning power under more normal conditions should easily range somewhere between $3 and $5 a share annually. Higher earnings would depend upon the extent that the company is able to progress competitively—and, of course, the degree to which sales are aided by more equitable taxation in the future.

At the close of 1933, the company had current assets of $14,150,745 and current liabilities of $7,114,114. Cash amounted to $1,019,137. In a recent report, attention was directed to the fact that in nine States where liquor is sold through state-owned stores, the burden of financing the stocks of these stores fell upon the industry through the extension of long term credits. This condition makes it necessary for the company to maintain a larger working capital than would otherwise be required and may tend to defer action

on dividends, despite the fact that earnings would warrant the inauguration of payments. The shares, however, are currently quoted at a ratio to probable earnings sufficiently attractive to commend them to speculative consideration —in anticipation of more ordered conditions in the industry accompanied by substantial appreciation in their value.

Allis-Chalmers Manufacturing Co.

Earnings Per Share		Recent	
1932	1933	Price	Div.
def. $2.29	def. $2.19	17	..

AN important company identified with a depressed industry which is showing definite signs of revival. Thus, briefly, can the status of Allis-Chalmers be described at this time. The company is the fourth largest manufacturer of electrical equipment and is one of the outstanding manufacturers of farming machinery, tractors, road building machinery and heavy equipment for such industries as flour milling, lumbering, mining, cement and coal distillation. These activities classify the company as a producer of capital or durable goods. The capital goods industries normally account for 50% of the value of industrial output in this country and employ a much larger number of workers than those industries producing for every day consumption. Accordingly, the strong interest being manifested by the Government in efforts to revive the manufacture of durable goods is easily understandable.

The National Industrial Conference Board has estimated that an aggregate investment in the three years 1931-1933 of 6,000 million dollars in the country's producing and operating facilities would have been normal. As a total of only 1,500 million dollars new capital was actually raised for this purpose, a net deficit of 4,500 million dollars may be regarded as the accumulated backlog. Even if it is assumed that these estimates are somewhat generous, there is no denying the fact that a considerable volume of industrial equipment has been rendered obsolete and inefficient during the past three years, which has not been replaced due to artificial barriers having a marked tendency to discourage long-term financing. The expenditure of public funds is beginning to give some stimulus to the heavy industries but real revival must depend upon a more enlightened attitude by Washington—and recent developments, suggesting the possibility that the Securities Act of 1933 will be modified, afford grounds for hope.

Last year Allis-Chalmers lost $2,893,905, as against a loss of $2,955,043 in 1932. In the last half of 1933, however, the company booked an aggregate of $9,500,000 in new orders as compared with less than $5,000,000 in the first six months. Orders on the company's books at the beginning of the year totalled $6,426,000, nearly $1,000,000 more than at the start of 1932. Moreover, in the first quarter, the company booked new business of about $4,600,000, compared with bookings of only $1,720,566 in the same period of last year. The loss in the first three months of this year, after allowing for all essential charges, was $677,153, as against a loss of $869,986 in the March quarter of 1933. The showing in the second quarter should be appreciably better.

Throughout the depression the management, not satisfied merely to maintain the company's property and finances in a strong condition, has continued to round the company's activities by the acquisition of new properties at favorable prices. Conditions have prevented these properties from demonstrating their value from the standpoint of earning power but sooner or later they may be expected to contribute to the company's efficiency and earning power. New products have been developed and older ones have been improved. Therefore, while the earnings of $3.81 a share on the stock in 1929 were a peak in the company's earning power, they are not a true representation of the possible earning power of the present organization.

The shares of Allis-Chalmers are essentially of longer term merit. At the same time, their inducements, predicated upon the revival of the heavy industries, are decidedly more dynamic than might otherwise be true in the case of a company whose earning power had withstood the depression and where the prospects of improvement, however promising, could result only in a relatively small percentage of increase in actual earnings.

Edison Electric Illuminating Co. of Boston

Earnings Per Share		Recent	
1932	1933	Price	Div.
$12.10	$10.03	138	$10

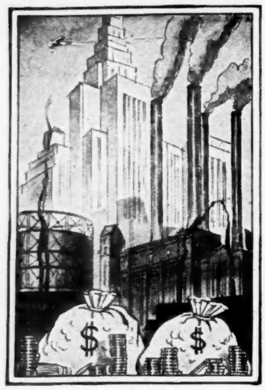
ON the strength of the company's past record, the shares of the Edison Electric Illuminating Co. of Boston would, under normal conditions, command a high investment rating. Were it not for the low state to which public utility securities generally have fallen in public favor, and the presence of some question as to the maintenance of the present rate structure, contrary to yielding over 7% at the present time the shares would doubtless sell on a basis equivalent to that of a sound bond issue. Despite these conditions, the shares have retained a considerable vestige of investment character and the risk involved in their acquisition at this time appears to be much less than is suggested by their high yield.

The company furnishes electric light and power services to the city of Boston and 39 neighboring communities. In addition, the company sells a considerable amount of energy wholesale to other utility companies, and, in the city of Boston, provides steam service, the demand for which has shown considerable increase in recent years. The territory embraced by the company's facilities is one which has been less severely affected by the depression than most other localities in the United States, with the result that the output of electricity has been sustained at a relatively high level. Last year, for example, the decline in output was less than 2%. Gross revenues, however, were slightly more than 4% under 1932, due principally to a voluntary reduction in rates made by the company last May. The decline in net earnings was the more pronounced, reflecting the imposition of a 3% Federal tax as well as some increase in charges for depreciation and interest.

An excellent measure of the high credit standing of "Boston Edison" is afforded by the fact that none of its properties are mortgaged. All of the company's financial requirements have

(*Please turn to page* 102)

For Profit and Income



U. P. Revises Investments

As a successful investment trust specializing in railroad securities, more than usual significance attaches to changes in Union Pacific's portfolio. The report for last year shows that the road reduced its holdings of Baltimore & Ohio common by 26,729 shares, bringing the number held to 35,940. At the same time, holdings of the preferred stock of B. & O. increased 6,130 to 24,190 shares. This appears to have been a logical development, for, as we seem to remember having pointed out in this department, B. & O. preferred sold for a long time last year underpriced compared with the common. Even today it is questionable whether the current four-point-spread between the two issues should not be larger. Another important investment change made last year by Union Pacific was the sale of 20,000 shares of Chicago & North Western and the loss established by this transaction, together with the loss established by the sale of the B. & O. stock, resulted in a reduction of tax liability.

There was no change in Union Pacific's holdings of New York Central which stand at 200,000 shares, having been reduced, it will be remembered, in 1932 from 267,152 shares, at the time when Delaware & Hudson was buying into Central. Neither was there any change in the number of Illinois Central shares owned—268,700 common and 98,270 preferred. Holdings of Pennsylvania stock increased 8,100 shares to a total of 108,100. Other changes in Union Pacific's portfolio were of less importance.

* * *

Sensible Economy

Business has picked-up and dividend payments are increasing. There must be, however, a great number of companies which have regained a moderate degree of earning power, but which are hesitant about paying a small dividend because of the large capitalization and the American custom of making quarterly disbursements. They reason, and rightly, that the few cents a share which they feel justified in distributing is not worth the substantial expense of making the payment—the stamps, the paper, the checks, and the general clerical expense. But suppose that dividends were paid only twice, or even once, a year. There would be substantial savings. And perhaps it is to this that we are coming. The Standard Oil (New Jersey) group is leading the way. Last year the parent company decided to pay twice a year instead of four times and recently its subsidiary, Imperial Oil, together with the sub-subsidiary, International Petroleum, took similar action.

* * *

A New and Different Exchange

By the time that this is in print, the Philadelphia canned goods exchange ought to be operating. It will deal in tomato, bean, pea and corn futures at the start and more products may be added later. While the exchange has overcome, and still has to overcome, a number of important obstacles, its success ought to help the canning industry very materially. Today, the canners have to take enormous speculative chances. They contract perhaps for a crop before it is even planted and in the long time that is bound to elapse before it is harvested and in the hands of the ultimate consumer almost anything can happen to the price. It is possible, had there been a broad and active market in canned foods, that companies such as California Packing would not have reported the large deficits that they did for the depression years. And, while they might not have shown the earnings recovery that took place last year, (California Packing earned $4,131,863—$4.28 a share—compared with a loss of $4,521,001 in the previous year) stability certainly is to be desired to violent fluctuation.

Rubber to Be Restricted Again

The Stevenson rubber restriction plan was a horrible failure. Yet, the new plan is only a bigger and better Stevenson plan. It has merely been refined in detail and is somewhat more comprehensive in the number of participants. The merits, or demerits, of the new scheme, however, are not the important thing to the United States. It is not our scheme (we have enough fantastic ones as it is) and, even though we are the greatest consumers of rubber in the world, we were not consulted in any way. What we would like to know is how will the plan affect the United States, aside from raising the price of something that has to be imported, for this result appears to be a foregone conclusion. Will our rubber manufacturers achieve a year or two's prosperity on a rising price trend, or will they manage to expend their possible advantages in another war of cut-throat competition? While it is too early as yet to come to definite conclusions, before long there may be developments that will provide a clue to the future.

* * *

Circumstances Alter Cases

For years the appropriate departments of the Federal Government had eagle-eyes trained on the copper industry looking for monopolistic tendencies. Copper Exporters, Inc., through which by far the greater part of American copper was sold abroad, seemed to lend weight to suspicions. But the industry never dreamed of setting up, knowing the futility, a single sales agency for operations in the domestic market. Yet, here are the N R A authorities imposing a code on the copper industry that does just this—and, curiously enough, many who would perhaps have endorsed the plan in days gone by, had they thought that there was a chance in the world of "getting away with it," now have ranged themselves in vigorous opposition.

Taking the Pulse of Business

— Steel Operations Expand

— Textiles Suffer Relapse

— Silver Market Weakens

— Petroleum Code Revised

— The Rubber Control Plan

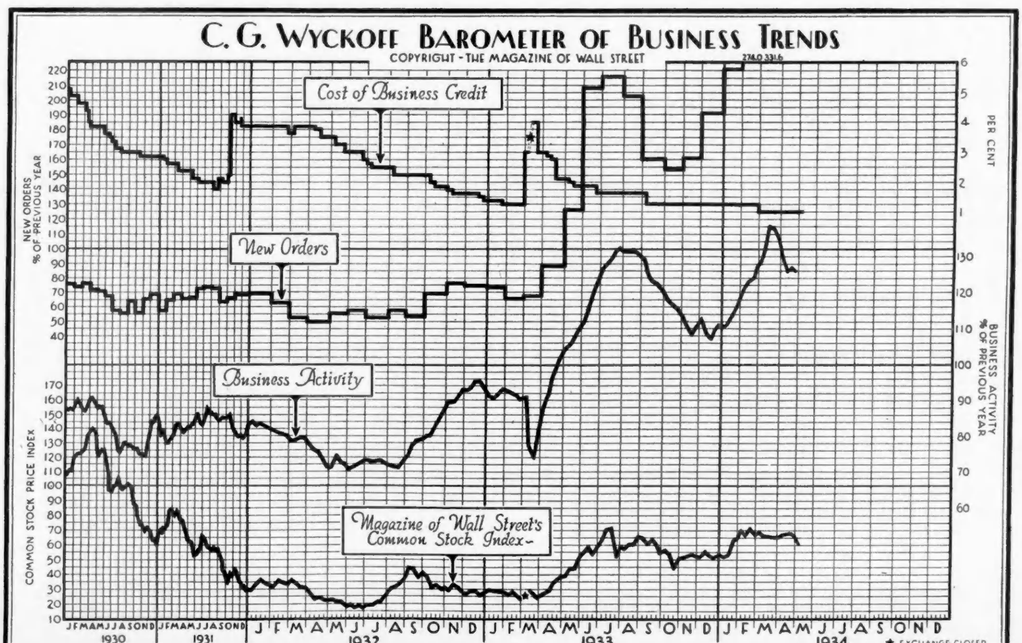
BUSINESS reports which have become available since our last issue continue to emphasize the truly remarkable come-back of employment, wages, sales and profits during the first quarter as compared with deplorable conditions during the first three months of 1933. According to THE MAGAZINE OF WALL STREET'S indexes, about 800,000 workers were returned to private business employment between the middle of February and the 15th of March, at which latter date about 5,000,000 more were employed than a year earlier. Payrolls in March were about $8,000,000,000 per annum greater than the annual rate a year ago; while average wages rose about 9% in the twelve months' period, or at about the same rate as the cost of living.

Cash income received by farmers during the first quarter of the present year is estimated at about $1,312,000,000, including $97,000,000 from rental and benefit payments, as compared with $873,000,000 during the corresponding period a year ago. This betterment is almost exactly in keeping with the 50.5% increase in rural retail sales reported for the first quarter on a yearly comparison basis. Farm purchasing power on April 15, however, was only 62% of the 1926 average, a decline of two points from the recovery high of 64% reached two months earlier.

Wholesale grocery sales in February for the entire United States, according to a recently completed comprehensive survey, were 25.8% heavier than for the previous February; though chain grocery sales in March were up only 11.5% in dollar volume and off about 7% in actual tonnage. In April, however, a marked drop has been experienced in prices and in the volume of sales of consumers' goods, and it is doubtful if the dollar volume of retail business done by leading department and chain stores was appreciably better than in April last year. This recession appears to be in part a natural aftermath of the abnormally heavy pre-Easter sales in March and partly in protest against high prices.

In marked contrast with the reaction now evident in the consumer goods trade is a continued expansion in activity among the heavy goods industries, as evidenced by the further sharp rise in our New Orders graph under the combined stimuli of P W A orders and a large replacement demand for automobiles. Unfortunately, output of the heavy industries is expected to reach a peak by not later than July; so that a revival in demand for consumers' goods must come before many months if a serious recession in the aggregate volume of business is to be averted. Meanwhile a precautionary signal is being waved by our Business Activity index which discloses that the physical volume of production, distribution and trade is now only 26% better than a year ago compared with the maximum comparative gain of 38% recorded in March. Expressed in terms of normal, there has been a three-point recession to 77.4%, from the recovery high of 80.4%.

This as yet rather mild slowing down in the business



pace might be dismissed lightly as a merely temporary reaction from pre-Easter and pre-code excesses were it not for the really ominous slump in staple commodities depicted by our Raw Material Price index. This has been both a cause and a consequence of the slackening demand for consumers' goods—especially textiles; since merchants hesitate to stock up on a falling market. It begins to appear that a devalued dollar has not had the permanently stimulating effect upon prices and trade that had been hoped. Wheat, sugar, lard, beef, aluminum, silk, and gasoline are selling below last year's prices; while the truly spectacular gains have been in such commodities as rubber and tin for the supply of which we are wholly dependent upon imports. On an average, raw material prices are now less than 40% higher than a year ago, against a comparative advance of 88% only two months ago.

The Trend of Major Industries

STEEL—Steel mill operations have risen to around 57% of capacity, or to within three points of last summer's high; while prices of finished products have advanced recently about $4 a ton to a point $10 above last year's low and less than $1 below the 1929 average. Meanwhile the number of workers employed in this industry has risen to 90% of the 1929 peak, at an average hourly wage rate which is 6% higher than the 1929 peak and 36% above the rate in June, 1933. At the present rate of operations most companies are probably earning a little more than their fixed charges. Unfortunately, however, customers are adding a considerable portion of present deliveries to their inventories; so that there is likely to be a sharp drop in activity during the third quarter, at a time when the mills should be benefiting by the present schedule of higher prices which will not become effective, practically, until the beginning of July.

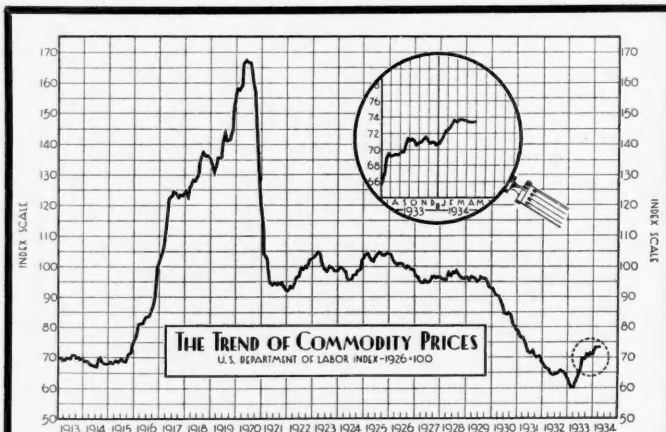
METALS—The most spectacular feature of non-ferrous metal markets since our last issue has been the slump in silver to below 42 cents, following President Roosevelt's opposition to further silver legislation at the present session of Congress. Like wheat, the statistical position of silver is weak, and prices have been held up only by hopes of further inflation. Bar silver at Shanghai, in terms of gold, has plunged to the lowest price in 135 years. Sales of silver against gold have caused a panic among speculators who were caught heavily short of gold, and seven native banks in Hongkong and Canton were thus squeezed into bankruptcy. The copper code, freezing sales quotas and stocks in storage for the large companies, went into effect on April 26. Metal produced by signers of the code, known as "Blue Eagle copper," is priced at 8½ cents domestic, and 8.2 cents for export. Code authorities have ordered non-code copper to be withdrawn from the market until May 22. Tin has declined about two cents during the past fortnight. Other metals are quiet and steady.

PETROLEUM—Daily average crude output during the past fortnight was only 75,000 barrels above the Federal allowable, with Texas flowing about 2,000 barrels under the new State quota of 1,001,160 barrels. Gasoline in storage, however, is about 6% higher than a year ago. Gasoline prices are slightly under those of last year, while crude is up 150%, a circumstance which is very unwelcome to refiners who have to purchase their crude in the open market. The situation in gasoline should be helped by a recent revision of the code which permits the code authority to fix quotas for refineries. Secretary Ickes' new bill to strengthen the Administrator's power to control crude output has been introduced in Congress. If ratified, the industry will be placed upon a much sounder basis.

TEXTILES—Though the cotton spinning industry operated at 102.9% of single-shift capacity in March, compared with 101.5% in February, and only 93.9% in March of last year, the recent drop in raw cotton has unsettled prices for finished goods and driven many buyers out of the market to await yet lower prices. The recession here is aggravated by acute disturbance in other textiles. Thus, while domestic consumption of raw silk in March was about 13% ahead of February and of March, 1933, stocks at the warehouses on April 1 were 40% greater than a year ago, and prices are declining. In an attempt to check demoralization in the hosiery industry, the code authority has declared an emergency to exist and fixed a minimum cost below which manufacturers may not sell. Rayon prices, of course, have been forced down by the weakness in its close competitor, silk.

Conclusion

While business reports for the first quarter have made a remarkably favorable comparison with the like period of 1933, and the heavy goods industries continue to expand—albeit at a less rapid pace than last year—a marked recession in consumer goods trade has set in during the past few weeks, which has been rendered more serious by the slump in staple commodity prices following the abandonment of hopes for further silver legislation at the present session of Congress. The recent decline in our Common Stock Index and in the prices of second grade bonds may thus be regarded as belated response to a beginning recession in business and the severe drop in raw material prices; though high grade bonds are still sustained by the extraordinarily low Cost of Business Credit.

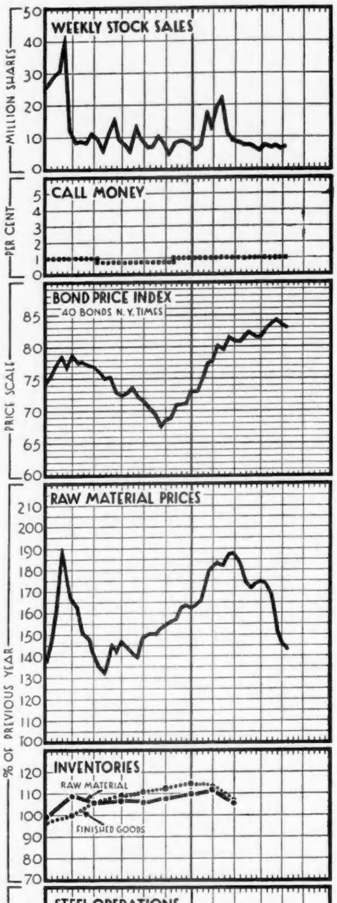


Changes in Major Commodity Price Groups for the Fortnight Ended April 28, 1934

Farm products	down	1.4	Metals	up	1.4
Foods	up	0.8	Building materials	up	0.6
Hides and leather	down	0.2	Chemicals	down	0.1
Textiles	down	0.5	Housefurnishings	up	0.2
Fuel and lighting	up	0.6	Miscellaneous	down	0.4

The Magazine of Wall Street's Indicators

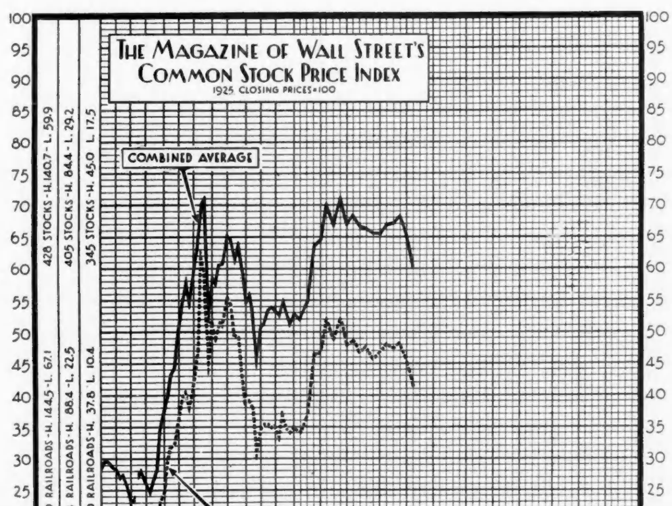
Business Indexes



Common Stock Price Index

1933 Indexes High	1933 Indexes Low	1933 Indexes Close	Number of Issues	COMBINED AVERAGE	1934 Indexes High	1934 Indexes Low	Apr. 21	Apr. 28	May 5
71.3	22.7	52.9	312	(1925 Close—100)	71.2	51.9	68.2	65.4	60.1
116.0	26.8	68.6	5	Agricultural Implements	105.7	65.8	87.9	83.8	70.4
37.8	7.3	27.1	5	Amusements	42.3	25.7	39.6	36.6	35.9
50.9	12.4	41.3	14	Automobile Accessories	58.9	39.6	57.3	54.0	49.8
22.7	7.3	18.0	13	Automobiles	24.9	18.0	23.1	21.1	19.2
102.9	41.8	61.6	5	Aviation (1927 Cl.-100)	92.5	61.6	80.3	75.4	65.6
26.5	5.1	12.2	4	Baking (1926 Cl.-100)	17.4	12.0	15.3	15.2	14.3
157.5	79.9	145.6	2	Biscuit	150.0	130.5	141.3	136.2	133.1
357.1	86.8	207.0	3	Bots & Cks. ('32 Cl.-100)	240.9	198.2	233.8	221.8	207.4
128.8	39.8	107.6	5	Business Machines	136.0	102.0	130.7	124.6	116.4
191.1	92.9	189.1	2	Cans	204.3	184.5	204.3	200.0	193.4
238.2	71.5	193.6	8	Chemicals	210.5	171.5	194.5	186.3	171.5x
34.8	11.3	28.0	16	Construction	37.2	27.0	34.4	33.0	30.1
81.0	20.3	54.9	6	Copper	70.1	53.1	67.3	64.6	60.1
47.7	23.0	25.7	2	Dairy Products	34.7	25.7	34.7	32.5	31.8
27.3	6.6	19.6	8	Department Stores	26.8	19.3	25.4	23.9	22.2
89.0	45.3	57.0	9	Drugs & Toilet Articles	84.2	57.0	84.2	80.8	76.2
104.0	35.6	75.4	4	Electric Apparatus	91.3	73.2	84.8	80.6	75.8
104.6	33.2	103.8	2	Finance Companies	178.3	103.8	178.3h	173.4	160.6
75.2	32.6	52.0	5	Food Brands	64.0	51.1	63.6	63.8	62.0
77.5	40.5	58.6	4	Food Stores	71.1	57.2	71.1	69.4	64.0
1365.0	481.2	1180.8	3	Gold Mining	1325.0	1125.0	1237.0	1196.0	1176.0
30.3	10.5	26.0	5	Household Equipment	35.1	25.1	35.1h	34.3	32.3
[38.0	14.5	23.1	6	Investment Trusts	31.8	22.2	28.4	26.5	24.8
360.0	85.0	244.6	2	Liquor (1932 Cl.-100)	295.5	232.0	283.0	282.1	253.1
47.4	13.5	39.4	2	Mail Order	53.4	37.7	51.7	49.1	43.7
120.3	21.9	57.2	3	Meat Packing	88.6	57.2	84.6	80.1	71.8
136.4	30.1	132.6	11	Metal Mining & Smelting	160.1	126.6	154.3	146.6	138.1
83.4	29.3	66.0	25	Petroleum	86.8	66.0	81.0	77.8	71.9
30.2	6.7	15.3	3	Phonos. & Radio (1927-100)	25.0	15.2	24.4	25.0	24.7
104.0	40.8	49.0	20	Public Utilities	72.8	47.2	65.7	62.1	55.8
69.4	17.7	53.4	8	Railroad Equipment	66.2	51.8	62.8	59.6	56.4
63.0	16.3	34.5	30	Railroads	52.0	34.0	48.3	45.8	41.4
44.3	6.2	30.0	3	Shipbuilding	50.2	29.4	47.7	47.4	42.6
148.6	57.8	126.7	2	Soft Drinks (1926 Cl.-100)	150.3	123.0	150.3h	147.2	133.8
69.1	19.1	51.8	11	Steel & Iron	77.0	51.6	67.2	64.0	57.6
29.5	7.3	21.3	5	Sugar	30.8	20.5	26.8	25.9	26.2
216.5	79.3	200.8	2	Sulphur	214.0	178.2	196.2	188.1	178.2x
82.3	28.1	61.4	3	Telephone & Telegraph	70.3	56.2	64.6	62.0	56.2x
82.2	22.5	49.1	8	Textiles	65.8	48.8	62.6	60.1	54.0
15.1	3.0	11.0	5	Tires & Rubber	14.6	10.4	14.0	13.2	12.6
90.2	46.2	69.4	4	Tobacco	77.6	66.5	76.2	74.1	73.2
57.2	22.3	57.2	3	Traction	57.2	46.0	56.4	51.2	51.8
52.9	23.3	43.6	3	Variety Stores	117.1	43.6	103.5	101.5	88.3

h—New HIGH since 1931. x—New LOW this year.



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights; and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

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1. Give all necessary facts, but be brief.
2. Confine your request to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

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FRANK G. SHATTUCK CO.

Because of the present interest in Shattuck stock, I am wondering if this is speculative, brought about by the announcement that Schrafft would serve wines and liquors. Would you advise me to hold or sell 100 shares bought at 9¼?—D. J. R., St. Louis, Mo.

Undoubtedly, the shares of Frank G. Shattuck Co. did receive especial market attention at the time of the announcement regarding the sale of wine and liquors in its restaurants, but the strength in the issue was also in recognition of better earnings and the improved outlook. While net profits for 1933 were only $324,206, equivalent to 25 cents a share of capital stock, as compared with $692,805, or 54 cents a share in 1932, it should be observed that the final quarter of last year accounted for 23 cents a share in sharp contrast with the two cents a share earned in the first nine months. For the quarter ended March 31, last, net profits were $100,080, or 7 cents a share, compared with a loss of $70,064 in the same period of last year. The candy division largely accounts for the improvement shown in the last two quarters. Shattuck has continued to maintain a strong financial position. At the year-end, current assets, including $6,110,106 cash and marketable securities, totalled $7,754,731 against current liabilities of $612,330. The company operates 47 quality restaurants and candy stores located at key points in New York, Philadelphia, Boston and Syracuse, under the name "Schrafft's." The serving of wines and liquors in its restaurants is well adapted to its trade and a further appeal to the liberal spending public is being made through the extension of air-conditioning equipment. Increased employment and expanding consumer purchasing power are not only aiding food sales, but are greatly stimulating the sales of the well known "Schrafft" confections. Ice cream sales also should show marked improvement during the approaching season. Believing that high quality in food and candies, attractive restaurant environment and capable management are conducive to good profits, we think your shares can safely be held for their dividend and price appreciation possibilities.

P. LORILLARD CO.

In the light of Lorillard's earning only 89 cents a share on its common stock in 1933, and increased tobacco and processing costs, do you consider the present dividend rate assured? Would you suggest retention of this stock for income and price appreciation?—C. C. L., Louisville, Ky.

In common with its competitors, earnings of P. Lorillard Co. declined last year, reflecting in a large measure, cigarette price reductions from $6.40 to $5.50 per thousand. Additionally, popular priced cigarette brands, such as "Old Gold" met keen competition from the 10-cent variety, the demand for which increased as a result of unemployment and the low level of public purchasing power. In January of this year, however, the company increased the price on "Old Gold" cigarettes to $6.10 a thousand, in line with similar action by its principal competitors. This price is believed sufficient to more than offset increased costs under the N R A, together with the processing tax, while competition from the cheaper brands should diminish as general business conditions and employment attain more normal levels. Although P. Lorillard ranks as one of the "Big Four," its principal brand, "Old Gold" accounts for only approximately 20% of total income, the balance coming from chewing and smoking tobaccos, cigars and Turkish cigarettes. During the more recent past, the company has aggressively pushed sales of its staple lines, especially such popular brands as "Union Leader" and "Briggs." While sales of little cigars and the more expensive Turkish cigarettes are undoubtedly still restricted, these should respond to higher consumer purchasing power during the current year. Considering the generally unsatisfactory state of the tobacco industry last year, the ability of Lorillard to report earnings of 89 cents a share on the common stock is encouraging. Financial condition as revealed in the year-end balance sheet was characteristically strong, with total current

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assets $56,625,098 including cash and equivalent alone of $18,277,187, comparing with current liabilities of $2,319,692. While earnings from the cigarette division may remain relatively unsatisfactory over the medium term, progress being made in developing the market for other products indicates some earnings improvement this year. Current prices for the common stock appear to have amply discounted existing dividend uncertainties, with the result that its sale at the present time in the face of the more favorable outlook is hardly warranted.

PURITY BAKERIES CORP.

As a new subscriber I will appreciate your views on Purity Bakeries. I have been holding some of its common stock, bought at 24½, and must say that I am disappointed with its recent action. Do you think it should do better from now on? —T. M. L., Kansas City, Mo.

Although Purity Bakeries Corp. has 54 plants located in 14 states and 343 retail bakery stores, it concentrates its efforts chiefly in New York, Chicago and Philadelphia. These large centers of population have been especially hard hit by the lack of employment during the depression years and, in consequence, this prominent baking concern has seen its net profits drop from a peak of $5,652,285 in 1929 to a low of $319,357 in 1932. Expanding payrolls witnessed over the past twelve months have caused a reversal in earnings trend and sales should continue to increase as family finances improve. While the wholesale bread department is most important from a volume standpoint, profits from this division are likely to remain restricted due to competitive conditions which, however, should be less severe under the N R A code. The greatest profits come from the cake and pastry divisions and it is these lines which should respond most to the rejuvenated buying power of the public. Purity owns virtually all of the common stock of Cushman's Sons, Inc., which provides strategic retail outlets for its products and larger dividends are in prospect from this investment. For the year ended December 31, 1933, Purity Bakeries reported net income of $741,885, equal to 96 cents a common share. This was more than double the profit of $319,357, or 41 cents a share earned in 1932. As at the close of 1933, current assets totalled $4,240,231, including $2,761,361 cash, and current liabilities were $842,928. This satisfactory financial position, together with the improvement in earnings already noted and in clear prospect, warrants a constructive attitude toward the stock. Accordingly we suggest full retention of your present holdings with a view to their longer term potentialities.

NATIONAL SUPPLY CO.

I would like your advice on National Supply. Do you think I ought to switch out of its common now when it is selling at around the price I paid for it? Would you advise me to hold for the long pull? I note that it sold at 144 in 1929.—M. M. T., Philadelphia, Pa.

That the fortune of the National Supply Co. closely parallels that of the petroleum industry is clearly attested by this company's report for last year. During the early months of 1933, operations were at an extremely low ebb, but as a result of improved conditions in the oil industry during the second half, sales for the full year showed an increase of some 20% over the previous year. This, together with operating economies permitted the company to reduce its net loss to $2,815,960 from

(*Please turn to page* 98)

New York Stock Exchange

Rails

	1932		1933		1934		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	5/2/34	Share
Atchison	94	17⅞	80⅛	34⅝	73¾	54	64¼	..
Atlantic Coast Line	44	9¾	59	16½	54¼	39	43½	..
B								
Baltimore & Ohio	21⅜	3¾	37⅞	8¼	34½	22¼	26½	..
Bangor & Aroostook	35¾	9½	41¾	20	46⅛	39½	42½	2½
Brooklyn-Manhattan Transit	50¼	11⅛	41¼	21¾	39⅛	28¼	35¾	..
C								
Canadian Pacific	20⅝	7¼	20⅞	7½	18¼	12¾	16¾	..
Chesapeake & Ohio	31½	9¾	49¼	24⅝	47⅞	39½	45¼	2.80
C. M. & St. Paul & Pacific	4½	¾	11¾	1	8½	4¼	5¾	..
Chicago & Northwestern	14½	2	16	1¼	15	6⅝	11	..
Chicago, Rock Is. & Pacific	16⅜	1½	10⅛	2	6¼	2¾	4	..
D								
Delaware & Hudson	92½	32	93¾	37⅝	73½	53	60	..
Delaware, Lack. & Western	45⅞	8½	46	17¼	33¾	22½	25⅜	..
E								
Erie RR	11¾	2	25¾	3¾	24⅞	13⅞	20	..
G								
Great Northern Pfd.	25	5½	33¾	4⅝	32½	18⅝	25	..
H								
Hudson & Manhattan	30¾	8	19	6½	12⅛	7½	8½	..
I								
Illinois Central	24⅞	4¾	50¾	8½	38⅞	28½	28¾	..
Interborough Rapid Transit	14⅝	2¼	13¾	4⅛	13¾	7⅞	8¾	..
K								
Kansas City Southern	15¼	2¼	24⅞	6½	19¾	11	15⅜	..
L								
Lehigh Valley	29¼	5	27¾	8⅝	21¼	13	17⅜	..
Louisville & Nashville	38¼	7½	67½	21¼	62½	48¼	58⅜	1½
M								
Mo., Kansas & Texas	13	1¼	17⅛	5¾	14⅞	8	10¼	..
Missouri Pacific	11	1½	10¼	1⅛	6	3	4⅝	..
N								
New York Central	36⅝	8¾	58½	14	45¼	29¾	29⅞	..
N. Y., Chic. & St. Louis	9¾	1½	27⅝	2⅛	26⅞	15	19⅞	..
N. Y., N. H. & Hartford	31⅝	6	34⅞	11⅛	24⅛	14¼	16¾	..
N. Y., Ontario & Western	15¾	3⅝	15	7½	11⅝	7⅝	8⅛	..
Norfolk & Western	135	57	177	111½	182	161	176	*10
Northern Pacific	25⅜	5½	34⅞	9⅝	36¼	21⅛	31¼	..
P								
Pennsylvania	23⅜	6½	42¼	13¾	39⅛	29¼	31½	.50
Pere Marquette	18	1¾	37	3⅞	38	16½	28	..
R								
Reading	52¼	9½	62½	23½	56⅜	43	48	1
S								
St. Louis-San Fran.	6⅝	⅝	9	⅞	4⅝	2¾	3¾	..
Southern Railway	18½	2½	36	4⅛	36½	23¾	28⅛	..
U								
Union Pacific	94½	27⅝	132	61¼	133⅞	110½	128	6
W								
Western Maryland	11⅜	1½	16	4	17¼	8¾	13⅛	..
Western Pacific	4¾	½	9½	1	8½	2¾	5	..

Industrials and Miscellaneous

	1932		1933		1934		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	5/2/34	Share
Adams Express	9½	1⅝	13¼	3	11⅞	6⅝	9	..
Air Reduction, Inc	63½	30⅞	112	47½	106¼	93¾	100¾	3
Alaska Juneau	16⅝	7¾	33	11⅛	23⅞	19¼	19¼	*.90
Alleghany Corp	3⅝	⅜	8¼	⅞	5¼	2¾	3⅛	..
Allied Chemical & Dye	38¼	42½	152	70¾	160¾	143½	143½	6
Allis Chalmers Mfg	15⅜	4	26¾	6	23⅜	16½	17⅛	..
Amer. Brake Shoe & Fdy	17⅞	6½	42½	9⅛	38	28	29	.80
American Can	73⅞	29⅝	100½	49½	107¾	94⅛	99	4
Amer. Car & Fdy	17	3⅛	39¾	6⅛	33⅞	23¼	25¼	..
Amer. Com'l Alcohol	27	11	89⅞	13	62½	46	46	..
American & Foreign Power	15	2	19⅝	3⅞	13¾	7¾	8⅞	..
Amer. International Corp	12	2½	15⅛	4¼	11	6½	8⅛	..
Amer. Mach. & Fdry	22¼	7½	22⅜	8¾	19¾	13	16	.80
Amer. Power & Light	17¼	3	19⅞	4	12¼	5⅞	8	..
Amer. Radiator & S. S.	12¼	3⅛	19	4⅝	17⅝	13¾	14⅛	..
Amer. Rolling Mill	18½	3	31⅞	5¾	28¼	17½	21⅝	..
Amer. Smelting & Refining	27¼	5⅛	53½	10¾	51¼	38½	39	..
Amer. Steel Foundries	15⅛	3	27	4⅝	26½	18	18	..
Amer. Sugar Refining	39¼	13	74	21½	61	46	49	2
Amer. Tel. & Tel.	137⅜	70¼	134¾	86½	125¼	107¾	114	9
Amer. Tobacco Com	36¾	40½	90½	49	82⅜	65¼	69	5
Amer. Tob. B	89¾	44	94¾	50¾	84½	67	70⅝	5
Amer. Water Works & Elec	34½	11	43¼	10⅞	27⅝	16¾	19⅝	1
Amer. Woolen	10	1⅝	17	3½	17⅛	11⅜	12½	..
do Pfd.	39⅞	15½	67½	22⅝	83¾	61⅝	67	1¼
Anaconda Copper Mining	19⅜	3	22⅞	5	17¾	13½	15	..
Armour Ill. A	2¾	⅝	7¾	1⅛	8	4¼	6⅜	..
do B	2	⅜	5	¾	3⅞	2¼	2⅞	..
Atlantic Refining	21⅞	8⅝	32½	12⅜	35¼	26¾	26¾	1
Auburn Auto	151¾	28¾	84¼	31	57⅜	39½	41⅝	2
Aviation Corp. Del	8⅞	1½	16⅜	5½	10¾	5⅜	7⅜	..
B								
Baldwin Loco. Works	12	2	17⅝	3½	16	11	12⅜	..
Barnsdall Corp.	7	3⅜	11	3	10	7⅞	8	..

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932 High	1932 Low	1933 High	1933 Low	1934 High	1934 Low	Last Sale 5/2/34	Div'd $ Per Share
B								
Beatrice Creamery	43½	10½	27	7	18¾	10⅜	15½	..
Bendix Aviation	18¾	4½	21¼	6⅛	23⅞	16⅛	16½	..
Best & Co.	24⅞	5¾	33⅛	9	34¼	26½	32½	.25
Bethlehem Steel Corp	29⅝	7¼	49¼	10⅛	49½	34¾	38	..
Bohn Aluminum	22¼	4⅞	58½	9½	68¾	55	60¾	3
Borden Company	43⅛	20	37⅜	18	27½	19⅞	23¾	1.60
Borg Warner	14¼	3⅜	22¼	5½	28⅝	20¾	23	1
Briggs Mfg.	11¾	2⅞	14⅝	2⅝	19⅜	12	17	.50
Burroughs Adding Machine	13¼	6¼	20⅞	6⅛	19⅜	14⅜	14½	.40
Byers & Co. (A. M.)	24⅝	7	43¼	8½	32¾	21⅞	23⅝	..
C								
Canada Dry Ginger Ale	15	6	41¼	7½	29½	24¼	25⅛	1
Case, J. L.	65¾	16¾	103½	30½	86¾	65	65	..
Caterpillar Tractor	15	4⅜	29¾	5½	33⅜	23½	30⅛	.50
Celanese Corp	12⅝	1¼	58⅞	4½	44⅞	28⅝	29¾	..
Cerro de Pasco Copper	15½	3½	44¾	5⅞	40¼	30⅝	31¾	.50
Chesapeake Corp	20¾	4⅞	52½	14⅞	48⅞	34	44⅛	2½
Chrysler Corp	21¾	5	57⅝	7¾	60⅜	44½	44⅞	1
Coca-Cola Co	120	68½	105	73½	127	95¼	117¼	6
Colgate-Palmolive-Peet	31½	10¼	22⅜	7	18⅛	9⅜	16	..
Columbian Carbon	41⅞	13½	71¼	23⅛	77¼	58	69¾	3
Colum. Gas & Elec	21	4¼	28⅛	9	19¼	11⅛	14	§50
Commercial Credit	11	3⅞	19¼	4	35⅛	18⅝	31¾	1
Comm. Inv. Trust	27⅞	10⅞	43½	18	59¾	35¾	54⅞	2
Commercial Solvents	13¾	3½	57¼	9	36¾	24½	24⅝	.60
Commonwealth & Southern	5⅛	1⅝	6⅛	1¼	3¾	1¾	2½	..
Congoleum-Nairn	12¼	6½	27⅝	7⅜	31¼	23	25⅞	1.30
Consolidated Gas of N. Y.	68¾	31½	64⅛	34	47⅜	34	34⅜	2
Consol. Oil	9	4	15¾	5	14¼	9¾	11⅝	.28
Continental Baking Cl. A	8	2⅞	18¼	3	14⅝	7	10	..
Continental Can, Inc.	41	17⅝	78⅜	35¼	83¼	75	78⅞	3
Continental Insurance	25¼	6¾	36½	10½	35½	23⅜	32¼	1.20
Continental Oil	9⅜	3⅝	19⅝	4⅞	22¾	16½	20½	.25
Corn Products Refining	55⅜	24¾	90⅝	45⅜	84½	69	69¼	3
Crown Cork & Seal	23⅞	7⅞	65	14¼	36¼	28½	29¾	..
Curtis Wright, Common	3¼	⅞	4⅜	1½	5¼	2½	3⅝	..
D								
Diamond Match	19⅛	12	29½	17½	28½	23	23½	1
Dome Mines	12⅞	7½	39½	12	40⅞	32	37	*1½
Dominion Stores	18½	11¼	26⅜	10½	23	19	20¾	1.20
Douglas Aircraft	18⅝	5	18¼	10¼	28½	14¼	19¾	..
Du Pont de Nemours	59¾	22	96⅜	32⅛	103⅞	90⅝	92	2
E								
Eastman Kodak Co	87⅞	35¼	89¾	46	96¼	79	91	3
Electric Auto Lite	32¾	8½	27½	10	31⅜	18⅛	23⅛	..
Elec. Power & Light	16	2¾	15⅜	3⅛	9⅝	4½	6¼	..
Electric Storage Battery	33¼	12⅝	54	21	52	43⅝	43⅝	2
Endicott-Johnson Corp	37¼	16	62⅞	26	63	51⅜	53	3
F								
Firestone Tire & Rubber	18⅞	10½	31½	9⅛	25¼	18	20⅞	.40
First National Stores	54½	35	70¾	43	67½	54¼	63½	2½
Fox Film. Cl. A	5⅞	1	19	12	17½	12¼	15½	..
Freeport Texas Co	28⅝	10	49⅜	16⅛	50⅜	40¾	43	2
G								
General Amer. Transpt	35¾	9½	43¼	13¾	43⅝	33⅛	39	1
General Asphalt	15½	4¾	27	4⅝	23½	15⅛	20⅛	..
General Baking	19⅝	10½	20⅞	10½	14⅜	11	11½	1
General Electric	26⅛	8½	30¼	10½	25¼	18½	20⅞	.60
General Mills	48½	28	71	35½	64½	53⅞	55½	3
General Motors Corp	24⅝	7⅝	35¾	10	42	33½	35½	1
General Railway Signal	28⅝	6⅛	49½	13¼	45¾	33	38¾	1
General Refactories	15⅜	1¾	19¾	2½	19½	12¼	16⅛	..
Gillette Safety Razor	24¼	10⅜	20¼	7⅝	12½	8½	10⅞	1
Gold Dust Corp	20⅝	8¼	27⅜	12	23	16¾	20¼	1.20
Goodrich Co. (B. F.)	12⅜	2¼	21½	3	18	12⅝	15⅝	..
Goodyear Tire & Rubber	29¾	5½	47½	9¼	41⅜	33⅝	34¼	..
Great Western Sugar	12	3¼	41⅞	7	34⅞	25⅞	28⅛	2.40
H								
Hershey Chocolate	83	43½	72	35⅛	63½	48½	62	3
Houston Oil of Texas (New)	5⅜	1⅝	7⅜	1⅞	5⅝	3½	4⅝	..
Hudson Motor Car	11¾	2⅞	16⅜	3	24½	13⅜	15¾	..
Hupp Motor Car	5⅜	1½	7¾	1⅝	7¼	4	4	..
I								
Ingersoll-Rand	44⅞	14¾	78	19⅛	73¾	59½	60	1½
Inter. Business Machines	117	52½	153¼	75¾	149¼	132	143	6
Inter. Cement	18¾	3⅝	40	6⅛	37¾	26⅛	26⅛	..
Inter. Harvester	34⅛	10⅜	46	13⅝	46⅞	37⅝	38½	.60
Inter. Nickel	12½	3½	23¼	6¾	29¼	21	28	.10
Inter. Tel. & Tel.	15¾	2⅝	21¾	5⅛	17¾	13⅛	13⅜	..
J								
Johns-Manville	33⅜	10	63½	12¼	66⅜	51½	51⅞	..
K								
Kelvinator	10⅜	2¾	15⅝	3⅛	21¼	11⅞	17	.50
Kennecott Copper	19¼	4⅞	26	7⅜	23	17¾	20⅛	..
Kresge (S. S.)	19	6⅝	16⅞	5½	22¾	13⅜	19¼	80
Kroger Grocery & Baking	18⅞	10	35⅝	14½	33⅝	23¼	30½	*1½
L								
Lambert Co	56¾	25	41⅛	19⅜	31⅜	22¼	26	3
Lehman Corp	51⅞	30½	79⅜	37½	78	65⅛	70¼	2.40
Libbey-Owens-Ford	9⅜	3¾	37⅜	4¾	43⅞	33¾	33¾	1.20
Liggett & Myers Tob. B	67¼	34⅛	99⅜	49¼	97	74½	92½	*5
Liquid Carbonic	22	9	50	10¼	35⅜	26½	30¼	*1¼
Loew's, Inc.	37¾	13¼	36½	8½	35⅛	25¾	31⅞	1
Loose Wiles Biscuit	36⅜	16½	44¾	19¼	44¾	38½	41½	2
Lorillard	18⅜	9	25¼	10⅜	19½	15¾	17½	1.20

Dividends & Interest

International Petroleum Company, Limited

Notice to Shareholders and the Holders of Share Warrants

NOTICE is hereby given that a semi-annual dividend of 56c per share and a special disbursement of 44c per share, both in Canadian Currency, have been declared, and that the same will be payable on or after the 1st day of June, 1934, in respect to the shares specified in any Bearer Share Warrants of the Company of the 1929 issue upon presentation and delivery of coupons No. 41 at:

THE ROYAL BANK OF CANADA
King & Church Streets Branch, Toronto, Canada

The payment to Shareholders of record at the close of business on the 15th day of May, 1934, and whose shares are represented by registered Certificates of the 1929 issue, will be made by cheque, mailed from the offices of the Company on the 31st day of May, 1934.

The transfer books will be closed from the 16th day of May to the 1st day of June, 1934, inclusive, and no Bearer Share Warrants will be "split" during that period.

The Income Tax Act of the Dominion of Canada having been amended, effective April 1st, 1933, to provide that a tax of 5% shall be imposed and deducted at the source on all dividends payable by Canadian debtors to non-residents of Canada, the above mentioned tax will be deducted from all dividend cheques mailed to non-resident shareholders and the Company's Bankers will deduct the 5% tax when paying coupons to or for account of non-resident shareholders. Ownership Certificates will be required by the paying Bankers in respect of all dividend coupons presented for payment by residents of Canada.

Shareholders resident in the United States are advised that a credit for the 5% Canadian tax withheld at source is allowable against the tax shown on their United States Federal Income tax return. If it is desired to claim such credit the United States tax authorities require evidence of the deduction of said tax. In order to secure such proof Ownership Certificates (Form No. 601) must be completed in duplicate and the Bank cashing the coupons will endorse both copies with a certificate relative to the deduction and payment of the 5% tax and return one Certificate to the shareholder. If forms No. 601 are not available at local United States banks, they can be secured from the Company's office or the Royal Bank of Canada, Toronto.

NOTE: The Company has adopted the policy of paying dividends semi-annually instead of quarterly as heretofore.

Holders of Bearer Share Warrants who have not yet exchanged talons for a new supply of dividend coupons (Nos. 41 to 60) should detach talons and forward them by registered mail, with return address, to The Secretary, International Petroleum Company, Ltd., 56 Church Street, Toronto, Canada.

By order of the Board,
J. R. CLARKE,
Secretary.

56 Church Street,
Toronto 2, Canada.
26th April, 1934.

Atlas Corporation

Dividend No. 19 on Preference Stock

NOTICE IS HEREBY GIVEN that a dividend of 75¢ per share for the quarter ending June 1, 1934, has been declared on the $3 Preference Stock, Series A, of Atlas Corporation, payable June 1, 1934, to holders of such stock of record at the close of business on May 19, 1934.

WALTER A. PETERSON, *Treasurer.*

May 9, 1934.

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932		1933		1934		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	5/2/34	Share
M								
Mack Truck, Inc.	28¾	10	46⅜	13½	41¾	28⅝	28⅝	1
Macy (R. H.)	60½	17	65¾	24¼	62⅛	44⅝	44⅝	2
Marine Midland	14⅜	6½	11½	5	9	5¾	7⅜	.40
Mathieson Alkali	20⅞	9	46⅝	14	40¾	31⅞	31⅞	1½
May Dept. Stores	20	9½	33	9¾	44⅜	30	39⅞	1.60
McIntyre, Porc M	21⅝	13	48⅜	18	50¼	38½	45¾	*1½
McKeesport Tin Plate	62¼	28	95¾	44⅛	94¼	83⅛	85	4
Mont. Ward & Co.	16½	3½	28⅞	8⅝	35⅝	21¼	27¼	..
N								
Nash Motor Co	19¾	8	27	11⅛	32¼	19¼	19⅜	..
National Biscuit	46⅞	20¼	60⅝	31½	49½	39⅞	40	2.80
National Cash Register A	18¾	6¼	23⅝	5⅛	23⅝	16½	16⅞	..
National Dairy Prod	31⅜	14⅜	25¾	10½	18	13	16⅛	1.20
National Distillers	27¼	13	35¼	20⅞	31⅝	23¼	28⅝	..
National Power & Light	20⅜	6⅝	20½	6⅞	15½	8½	10¾	.80
National Steel	33⅞	13½	55⅛	15	58¼	45	47⅛	1
North Amer. Aviation	6⅝	1¼	9	4	8¾	4⅛	5¼	..
North American Co	43¼	13¾	36½	12½	25¼	13⅜	16¾	.50
O								
Ohio Oil	11	5	17⅝	4¾	15⅞	12¼	12¼	..
Otis Elevator	22½	9	25¼	10⅛	19⅜	14¾	15¼	.60
Otis Steel	9¼	1¼	9¼	½	8	4⅛	5½	..
Owens Ill. Glass	42¼	12	96¾	31½	94	78¼	82¾	3
P								
Pacific Gas & Electric	37	16⅞	31⅞	15	23½	15½	18	..
Pacific Lighting	47½	20¾	43⅜	22	37	23½	32¼	3
Packard Motor Car	5¼	1½	6⅞	1¾	6⅝	3⅞	4½	..
Paramount Publix	11½	1½	2½	⅛	5⅞	1¾	4½	..
Penney (J. C.)	34½	13	56	19¼	67⅞	51½	60	*2.20
Peoples Gas—Chicago	121	39	78	25	43⅞	27	33½	..
Phelps Dodge Corp	11⅝	3⅞	18⅞	4½	18⅞	14⅝	17	.25
Phillips Petroleum	8⅛	2	18¾	4¾	20¾	15⅛	18	.50
Procter & Gamble	42¾	19⅞	47½	19⅝	41¼	33⅞	34¼	1½
Public Service of N. J.	60	28	57⅛	32⅝	45	34	37⅛	2.80
Pullman, Inc.	28	10½	58⅛	18	59⅜	50¼	54	3
Pure Oil	6½	2⅞	15⅜	2½	14⅞	10⅛	11	..
Purity Bakeries	15⅞	4⅜	25⅜	5⅞	19¾	12¼	15¼	1
R								
Radio Corp. of America	13½	2½	12¼	3	9⅛	6½	8¼	..
Radio-Keith-Orpheum	7¾	1½	5¾	1	4¼	2¼	3¼	..
Remington-Rand	7½	1	11¼	2½	13⅜	6⅜	10⅝	..
Republic Steel	13⅞	1⅞	23	4	25¾	16	19½	..
Reynolds (R. J.) Tob. Cl. B	40¼	26½	54¼	26½	45½	39¾	42⅜	3
Royal Dutch	23¾	12⅛	39¾	17⅝	39⅛	33	34½	1.07½
S								
Safeway Stores	59¼	30⅛	62⅜	28	57	44	52¼	3
Sears, Roebuck & Co	37¾	9⅞	47	12½	51¼	40½	44¾	..
Seaboard Oil—Del	20⅜	6⅝	43⅜	15	38⅜	25⅜	34¼	*.70
Servel, Inc.	5⅜	1½	7½	1½	9	4¾	7½	..
Shattuck (F. G.)	12¾	5	13¼	5¾	13⅞	6¾	10⅜	.24
Shell Union Oil	8¾	2½	11⅝	4	11½	7⅞	9	..
Simmons Co	13⅜	2¾	31	4⅜	24⅛	17	18	..
Socony-Vacuum Corp	12¼	5¼	17	6	19⅞	15⅛	15½	.30
So. Cal. Edison	32¾	15¾	28	14⅛	22⅛	15¼	17¼	2
Standard Brands	17⅞	8⅜	37⅝	13¾	25¼	20⅜	20⅝	1
Standard Gas & Elec. Co	34¼	7⅝	22½	5⅛	17	6⅝	11½	..
Standard Oil of Calif	31⅞	15⅛	45	19½	42⅞	33⅛	33¾	1
Standard Oil of N. J.	37⅜	19⅞	47½	22¾	50⅛	43⅛	43¼	1
Sterling Products	....	....	63	45¾	61¾	47¼	58¾	3.80
Stewart-Warner	8½	1⅞	11½	2½	10⅝	6¼	8⅛	..
Stone & Webster	17⅜	4⅝	19¼	5½	13¼	6	8⅜	..
Studebaker Corp.	13¾	2½	8⅜	1½	9¼	4⅜	5½	..
T								
Texas Corp	18¼	9¼	30⅛	10¾	29⅜	23⅛	25¼	1
Texas Gulf Sulphur	26¾	12	45¼	15¼	43¼	34¼	34¼	2
Tide Water Assoc. Oil	5⅝	2	11¾	3⅛	14⅜	8½	12⅝	..
Timken Roller Bearing	23	7¾	35½	13¾	41	29⅛	31⅞	1
Transamerica Corp	7⅛	2⅛	9⅜	2⅝	8½	6½	6⅝	.12½
Tri-Continental Corp	5½	1½	8¾	2¾	6¾	4⅜	4¾	..
U								
Underwood-Elliott-Fisher	24⅜	7⅜	39½	9¼	51½	36	43½	1
Union Carbide & Carbon	36⅜	15½	51⅞	19¾	50⅞	41½	42	1
Union Oil of Cal	15⅜	8	23⅜	8½	20½	15⅞	16⅜	1
United Aircraft & Trans	34⅜	6½	46⅞	16½	37⅜	17⅝	21⅞	..
United Carbon	18	6⅝	38	10¼	45¾	35	41¾	1.72
United Corp	14	3½	14½	4	8⅞	4½	5½	..
United Corp. Pfd.	39⅜	20	40⅞	22⅛	37⅞	24¾	32¾	3
United Fruit	32⅜	10¼	68	23¼	77	59	70	*2½
United Gas Imp	22	9¼	25	13⅞	20⅛	14¼	16¼	1.20
U. S. Industrial Alcohol	36¼	13¼	94	13½	64¾	50	50	..
U. S. Pipe & Fdy	18⅛	7¼	22⅛	6⅛	33	18	25¼	.50
U. S. Realty	11¾	2	14½	2½	12¾	7¾	8	..
U. S. Rubber	10¼	1¼	25	2⅞	24	14¾	21½	..
U. S. Smelting, Ref. & Mining	22¾	10	105⅝	13½	135½	96⅝	114	*5½
U. S. Steel Corp	52⅝	21¼	67½	23⅜	59⅞	45⅝	46⅛	..
U. S. Steel Pfd	113	51½	105½	53	99½	88	92¾	2
Util. Power & Lt. A	10⅜	1½	8⅞	1⅞	5⅜	2⅝	3½	..
V								
Vanadium Corp	23¾	5¼	36¼	7⅝	31¾	21	23	..
W								
Warner Brothers Pictures	4½	½	9⅛	1	8¼	4⅞	6⅝	..
Western Union Tel	50	12⅜	77¼	17¼	66⅞	48¾	49⅛	..
Westinghouse Air Brake	18⅛	9¼	35⅝	11¾	36	26¾	31¼	1
Westinghouse Elec. & Mfg	43½	15⅝	58¾	19⅜	47¼	35¾	37	..
White Motor	27¼	6⅞	26½	15⅛	28½	16⅝	19½	..
Woolworth Co. (F. W.)	45⅝	22	50⅞	25⅛	54⅞	41¼	50⅜	2.40
Worthington Pump & Mach	24	5	39⅞	8	31⅞	21	25	..
Wrigley (W. Jr.)	57	25¼	57¼	34½	65	54½	64½	*3½

§ Payable in stock. * Including extra.

Low Interest Rates Foreshadow Higher Security Prices

(*Continued from page* 73)

in the future. But this belief has been wrong so far and may prove wrong in the future. Without question, we have inflation already, perhaps not so much monetary inflation as credit inflation. At the same time, the chances of any drastic further inflation via the silver route, or any of the numerous other methods suggested in the present Congress, appear to have become somewhat more remote. The President has let it be known that he opposes additional currency manipulation and so long as the country does not slip again into an economic morass, he should be strong enough to resist the wiles of those who never heard of "supply and demand," never thought of the evils of "nationalism," but who lay all our ills at the door of "lack of money"—and we with more money than we ever had!

But if renewed experimentation with the currency can be dismissed as unlikely for the time being, there is no guarantee that the experimentation done already will not take hold one of these days to the full extent of its potentialities. Should it do so, the abnormally easy money that we are presently experiencing would disappear. More active business, probably excessive speculation, and much higher commodity prices, are not soil on which it would thrive. Yet, a glance at the forces that are freezing the inflation at this moment lead one to believe that the chances favor their continuing to exercise considerable restraint. Business activity is being hampered by taxation and various forms of governmental control; speculation will be curbed at least to some extent by the Securities Act and by the regulation of stock exchanges; while, over all, there is the consumer belief that "a dollar's a dollar, regardless" and the consequent resistance to higher prices.

All in all, it would seem that the forces making for higher money rates were not likely to be very strong over the near future. Of course, over a long period easy money is its own destruction. Sooner or later, it promotes more active business, and this causes a demand for money, raises prices and results in the birth of new enterprises. As soon as the total demand for money from all these sources makes an appreciable dent in the available supply, rates commence to harden. But, as has been shown, this is far from an immediate prospect; although ultimately inevitable.

The practical effects of a continued period of cheap money are no more than a continuance of those that have taken place already—namely, a higher price for existing bonds and the exertion of a favorable influence upon all common stocks. Because bonds are less subject to special situations than stocks, the rise in the former as a result of low interest rates will be much more uniform than in the latter. In other words, all the best railroad bonds will go up on easier money, but it is quite conceivable that one or two railroad stocks might decline while this was happening because of some transitory, adverse, development in their own particular traffic conditions.

At the same time, cheap though money may be, and continue to be, one can hardly give a blanket endorsement to the purchase of those bonds that are currently selling substantially above their call price. Bonds paying a lower return are certain to be substituted for many of these as soon as the road for re-financing is smoothed by the anticipated modification of the Securities Act. In which case, the purchaser at these levels might sustain quite a loss. Also, while fixed-income securities of a lower grade than those about which we have just been speaking may be expected to rise under the stimulus of

easy money, provided there be no impairment of the credit standing of the borrower, they have the hazards of their class. Moreover, outside the utter speculations, the yield is not over-attractive. Probably the best investment policy is one predominantly common stock. Here, the best issues will move higher as their return becomes more attractive in comparison with other securities; they will be favorably affected by the improving business activity promoted by the ease of money; and finally, the circumstances that could cause money rates to harden would benefit them as against securities having a fixed return.

Answers to Inquiries

(*Continued from page* 93)

$3,847,638 and $4,495,797 in 1932 and 1931, respectively. Moreover, orders received by the company during the initial quarter of the current year are understood to have been approximately 2½ times those of last year, suggesting that operations may now be in the black. Of special significance to National Supply Co. is the fact that a great many wells in the East Texas field are progressively finding it necessary to resort to pumping. Should this trend continue, as is indicated, the outlook for sales of products manufactured by the company cannot be regarded as other than favorable. In addition to manufacturing a broad line of machinery and equipment for all branches of the oil industry, a subsidiary, the Superior Engine Co., manufactures various types of engines, including Diesels. In view of the sales improvement already registered by the company, together with its strong trade and financial status, it shares merit further retention on a speculative basis.

REMINGTON RAND, INC.

I bought 100 shares of Remington Rand common several years ago at 20⅜. I understand that dividend accumulations on the preferred stocks must be met before the common will benefit greatly—but in view of the present progress of the company, I would like to average down if you think it advisable.—H. D. O., Denver, Colo.

Although the report of Remington Rand for the fiscal year ended March 31, 1934, is not available as this is being written, it is believed that the earnings gains revealed in the interim statements were further extended. Beginning with the profit of $69,000 last June, the first in two years, the trend has been upward. While the June quarter loss was $94,090, the September quarter revealed a profit of $203,656 and the December quarter profit was $444,741. Thus, for the first nine months of the fiscal year just ended net income, after all charges, was $554,307, equal to $3.53 a share on the $7 first preferred stock. This contrasts with a net loss of $1,683,036 in the corresponding period of the previous fiscal year. Assuming that preliminary estimates of net profits of around $700,000 in the final quarter are borne out, about 30 cents would be earned on the common shares for the full year, after allowing for first and second preferred dividend requirements. While no preferred dividends have been paid since October 1, 1931, and arrearage now amounts to $17.50 and $20 a share on the first and second preferred, respectively, only a little more than $3,000,000 cash is involved. The payment of these accumulations should prove no serious handicap from the standpoint of the common stockholders. As at December 31, 1933, the company had $4,300,000 cash on hand and sufficient bonds in its treasury to meet sinking funds requirements for the next 5½ years. Total current assets were $22,410,464 while current liabilities were but $1,865,427. It is obvious that clearance of preferred dividend arrears awaits only sustained improvement in the office and business equipment fields and continued operating profits. Because of the promising earnings outlook, therefore, we feel that you are fully justified in adding to your holdings around present quotations.

YOUNGSTOWN SHEET & TUBE CO.

What is your frank opinion of Youngstown Sheet and Tube? Do you believe it is now overcoming its difficulties of the past few years? Do you suggest holding 100 shares of this stock bought at 47?—R. O., Dayton, Ohio.

There is every indication that Youngstown Sheet & Tube Co. is steadily overcoming its difficulties of the past few years as evidenced by sharp reductions in operating losses. True, the gas and oil industries upon which the company formerly depended to a great extent for plant volume is still more or less out of the market for pipes, but this only emphasizes the fact that Youngstown has progressed far in diversifying its lines and that it is obtaining a fair share of the going steel business. For the quarter ended March 31, the net loss was $1,423,468 as compared with $3,473,370 in the first quarter of last year. For the full year 1933, the deficit was $8,342,901 against $13,272,783 in 1932. Despite operating losses since 1930, a satisfactory financial position has been maintained. As at the year-end current assets, including $14,124,405 cash and Government securities, were $59,184,118 while current liabilities were only $5,407,621. Improved results reflect the upturn in automobile, stove and refrigerator production, together with increased activity in the building industry. It is interesting to note that plant capacity for rolling railroad tie-plates has been greatly increased in anticipation of the program for the rehabilitation of the railroads. Since the oil industry is making rapid strides toward substantial earning power, it is reasonable to expect a good volume of orders from that source. The two years unpaid dividends on the preferred stock, amounting to $1,650,000, presents no serious problem and can be largely disregarded in considering the common in this period of rapidly mounting earnings, in view of the excellent cash position. Youngstown has a long and creditable record and you are fully justified in holding your shares acquired above current market quotations.

STANDARD BRANDS, INC.

Now that Standard Brands is selling well under its recent highs, it seems to me that this might be a good time to buy. I appreciate though that there may be unfavorable factors which account for the price decline. Therefore, I would like to have your advice before purchasing.—A. K., Nashville, Tenn.

That the nation-wide delivery system built up in former years by Fleischmann provided an admirable base for the formation in 1929 of Standard Brands, has been amply confirmed by results of this company during the depression period. Operating economies effected, together with an aggressive sales policy enabled the company to successfully combat depression influences and to show per share earnings last year substantially the same as those for 1932 and 1931. While earnings receded slightly in the initial half of last year as compared with results for 1932, generally improved conditions since the June quarter were reflected in earnings gains. That this favorable earnings trend has been maintained is revealed in the report for the quarter ended March 31, 1934, when net income was $4,302,626, against $3,180,059 for the corresponding interval of 1933. Reduced to a per share basis on the outstanding common stock, these earnings were equivalent to 33 cents and 24 cents, respectively. The management added substantially to inventories at low prices which should prove profitable to the company. Operating costs are understood to have been increased but slightly under the N R A, while price advances and larger sales in line with expanding public purchasing power, certainly render the earn-

Dividends & Interest

ings outlook most promising. In addition to increased revenues from its food lines, it is expected that the company will report satisfactory profits from the manufacture of gin. While it is yet too early to predict just how important this business will be from an earnings standpoint, the wide public demand for this company's product should assure reasonable profits. When consideration is given to the excellent record of the company during the depression years, its strong working capital position and ability to reflect increased consumer purchasing power, we feel that the common stock offers definite attraction around present quotations.

JEWEL TEA CO.

I had thought of buying Jewel Tea for income. But now I am wondering if the dividends stand to suffer by the increasing taxes on chain stores, and increased costs and wages under the codes. Your opinion will be appreciated.—B. M. F., Los Angeles, Calif.

Although earnings of Jewel Tea Co., Inc., declined last year to the lowest level since 1925, the $3 annual dividend on its capital stock was fully covered with 25 cents a share left over. Net income of $909,325, equivalent to $3.25 a share, compared with $1,053,625 or $3.76 a share for 1932. These earnings compare with an all time high of $1,705,293 attained in 1930, equivalent to $6.09 a share. Although the company's business is still confined primarily to the manufacture and distribution of staple groceries through its numerous truck routes, it also, through a subsidiary, operates some 84 grocery stores in and about Chicago. Last year, in addition to improving existing routes, some 45 new outlets of this type were established bringing the total, as of December 31, 1933, to 1,385. Beginning last November, wagon route sales registered a reversal of the downtrend which had been in evidence for the past several years, and this improvement is understood to have been accelerated during more recent months. As a matter of fact, the company expects to fully cover dividend requirements of $420,000 during the 28 weeks ended July 14, next. This estimate allows for a possible seasonal set-back in April and for the dwindling of C W A expenditures. In the comparable 28 weeks of last year, net profit was $305,638 equivalent to $1.09 a share, or less than dividend requirements. Because of payroll increases there should be noted a swing to quality goods on which profit margins are high. Thus, all indications point to increased earnings for Jewel Tea during early ensuing months, at least. While taxes continue as a heavy burden upon the company, sales improvement and higher profit margins should prove an offsetting factor. With an enviable financial condition and promising earnings outlook, Jewel Tea's capital stock appears attractive around present quotations both for income and price enhancement.

EQUITABLE OFFICE BUILDING CORP.

In view of the generally expressed opinion that real estate values are now thoroughly deflated, do you feel that I should retain my holdings of Equitable Office Building, or are there factors which will continue to militate against the stock? —M. C. C., Elyria, Ohio.

The Equitable Office Building Corp. owns and operates one of the largest office buildings in the financial district of New York City. Its address, 120 Broadway, is well known not only locally, but throughout the world, due to the many leading corporations which it numbers among its tenants. Nevertheless, the pressure for rental reductions brought about by depression influences, together with the vast amount of unoccupied space in the financial district, is reflected in recent earnings statements of the company. For the nine months ended January 31, 1934, net profit was $857,448, equivalent to 99 cents a share, compared with $1,051,067 or $1.17 a share for the preceding comparable period. Moreover, the earnings trend thus far has shown no tendency toward improvement as may be seen from the quarterly reports. Thus, for the quarter ended January 31, last, net profit was $276,896, equal to 32 cents a share, against $291,173 or 34 cents a share in the preceding quarter and $342,422 or 38 cents a share in the corresponding quarter of 1933. While it is true that the earnings record of the Equitable Building has been head and shoulders above that of most real estate enterprises, it should be borne in mind that this company was fortunate in that many of its important tenants were on long term leases. As these expire, however, the company will be faced with the problem of either making sharp rental reductions or running the risk of losing tenants. Thus, we see nothing in the medium term earnings outlook which would lead us to believe that the shares of Equitable Office Building offer attraction and suggest, therefore, a switch to other media offering greater appreciation possibilities.

For Features to Appear in the Next Issue

See Page 59

Demand from Heavy Industries Brings Profits to Refractory Makers

(*Continued from page* 83)

General Refractories $6.11 and $8.51 a common share, respectively.

From this it might seem perhaps that the latter, and smaller, company held out the greater promise for stockholders in this time of improving business. Before arriving definitely at this conclusion, however, allowance must be made for the changes in capitalization which have taken place since. The earnings for 1929 are based upon 300,000 shares. It will be remembered that each of the income bonds contained the right to subscribe to 40 shares of stock at $5 a share, so that there was a potential increase of about 212,000 shares of common from this source. (As the business has picked-up to such an extent, it seems that the possible increase on account of delayed interest payments can be ignored for the moment.) At the same time, interest charges equivalent to about $1 a share—on the original 300,000 shares of stock—must be taken into consideration. In other other words, it might be reasoned that General Refractories, under present conditions would have to report net earnings more than 80% larger than in 1929 to show, today, the per-share earnings of that year. Actually, however, matters are not as bad as this, for the company has been doing its best to buy up as many bonds as possible in the open market and the amount outstanding is now in the neighborhood of $4,700,000. It is not known what proportion of the bonds purchased still had warrants attached, so that a truly accurate measure of the common stock dilution cannot be obtained.

Currently, General Refractories common is quoted around $16 with the "free stock" selling somewhat higher than the voting-trust certificates; the bonds ex warrants are about 91 and with warrants 137. None of these securities appears to be selling out-of-line with the others, so that no arbitrage is practicable. The common stock as a speculation on a greatly improved prospect does not seem to be excessively priced, although those who demand that their investments produce an income probably will be more attracted to the bonds with warrants attached, especially in view of the fact that dividends on the common are made more remote because the bonds all have to be retired first.

In contrast, the common stock of Harbison-Walker may be expected to produce an income immediately. While the 25 cents declared the other day was not part of a regular payment, the prospects are such as to induce one to believe that further payments will be made from time to time. On the other hand, at $20 a share and with 1,380,000 shares outstanding, although probably the more conservative commitment, it hardly appears to possess the speculative attraction of its smaller contemporary.

New York, New Haven & Hartford

(*Continued from page* 84)

recapture, and recovery of that traffic volume, together with continued operating efficiency, would quite satisfactorily restore earnings on the common shares.

New Haven earned 98% of fixed charges in 1932, but only 70% of charges last year. Thus far in 1934, however, both freight and passenger revenues have shown improvement, the total for the first quarter being approximately 18% above that of the first quarter of 1933.

Capitalization, considering traffic density, is not excessive and there are no early maturities of troublesome proportions. The current financial position is weak, current liabilities of some $30,000,000 being approximately twice current assets. Yet it is worth bearing in mind that New Haven has reduced its funded debt by some $50,000,000 since 1926. In other words, conditions allowing, sale of $25,000,000 of bonds would restore the road's current financial position and still leave funded debt $25,000,000 less than it was eight years ago.

It appears plain that cyclical economic recovery is under way. Sooner or later, therefore, this should solve New Haven's primary problem of inadequate revenues. As to the secondary problem of motor competition, the outlook is far from hopeless. It appears probable that the end of unfettered commercial competition of trucks and buses with railroads is now not far ahead. Ultimately, such transportation in interstate commerce will almost certainly come under Federal regulation, probably along lines which will promote mutually beneficial co-ordination of rail and motor traffic. The need for a "new deal" in short-haul transportation has been strikingly pointed out by Railroad Co-ordinator Eastman. New Haven would be among the roads most helped by such a development.

Meanwhile, it is not passively submitting to the new forms of competi-

tion. It is actively co-ordinating its rail services with steamship, airplane, bus and truck transportation. Finally, plans have been announced to purchase a high-speed, stream-lined train of light alloy steel construction for experimental operation in fast service between Boston and Providence. Similar trains are being used by the Burlington and Union Pacific. Going the motor bus one better in speed and comfort, such modern equipment may well prove to be a winning bid for restored passenger revenues along the New Haven.

Edison Electric Illuminating Co. of Boston

(*Continued from page* 87)

been arranged for through the medium of bank loans, short-term notes and stock subscriptions. At the present time there are outstanding $68,000,000 in bank loans and short-term bonds, having no maturity date later than 1936. Despite the fact that $32,000,000 of this indebtedness will mature on July 16, next, there exists no doubt as to the ability of the company to refund it. The debt is small in relation to property values and earning power and if necessary, it would doubtless be possible to arrange a bank loan without difficulty. Under the circumstances, it is obvious that the single class of stock, outstanding in the amount of 534,875 shares, occupies a well fortified position in the capital structure.

Dividends are currently being paid at the rate of $10 annually, this rate having been placed into effect last May. In 1932, dividends totalled $12.80 and the present rate is the lowest since 1906. Last year earnings were equal to $10.03 per share, comparing with $12.40 in 1932, and $13.60 in 1930 and 1931. While the dividend was barely covered last year, the improved outlook at the present time would in all probability assure its continuance. Uncertainty, however, arises from the question of rates. The Massachusetts Department of Public Utilities has recently concluded hearings in connection with a petition for lower rates but no decision has been rendered. While the outcome can not be predicted, a hopeful criterion is offered by the fairness shown by the Massachusetts commission in a recent rate case involving another utility company.

Giving proper weight to the speculative factors, and even allowing for the possibility of an adverse decision to the company, necessitating some reduction in the present dividend rate, present levels for the shares would seem to pre-

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sent an attractive investment opportunity. Looking at the situation in its worst aspects, assuming a reduction in dividends to possibly $8 annually, the shares would still return better than 5½%, a wholly adequate yield when their fundamentally sound investment caliber is taken into consideration.

First-Quarter Statements Indicate New Trend in Earnings

(*Continued from page* 70)

per cent above the level of a year ago, railroad earnings have experienced a wide recovery. This is greatest for roads serving industrialized territories in the East and Middle West, but only in the case of a few strong roads does it mean anything in earnings for common stockholders. To cite a few representative reports, Western Maryland had net income of $440,769 for the first quarter, against $35,425 a year ago; St. Louis Southwestern's deficit of $418,140 was about half that of a year ago; Boston & Maine's deficit of $382,907 was likewise half that of a year ago; Burlington earned $1,028,662, against a deficit a year ago; Texas & Pacific earned $51,583, as compared with a deficit some ten times that amount a year ago; New Haven halved the $2,369,000 deficit of the first quarter of 1933; Norfolk & Western—biggest per share earner of all—had net of $3.47 a share, against $2.13 in the first quarter of last year; while Pere Marquette came back from a deficit of $822,580 a year ago to first quarter net of $401,626.

Marked improvement stands out in first quarter reports of glass companies, motion picture companies, office equipment companies, carbon companies, installment finance companies, makers of refractories, and rayon manufacturers. These groups include the following first quarter comparisons with the first quarter of 1933: Hazel-Atlas Glass, $1.30 per share, against 69 cents; Libbey-Owens-Ford, 54 cents against 26 cents; Loew's, Inc. (for 28 weeks ended March 15) $2.38, against $1.04; United Carbon, 76 cents, against 26 cents; Commercial Credit, 76 cents, against a deficit; General Refractories, 52 cents, against a deficit; National Cash Register, 17 cents, against a deficit; International Business Machines, $2.40, against $2.13; Underwood Elliott Fisher, 99 cents against 13 cents; Industrial Rayon, $3.36, against $1.59.

It must be remembered that the above earnings comparisons are with the acutely depressed period of 1933. They do not fully reveal the fact that in a great many companies earnings tend to be retarded by higher costs traceable to government interference of one kind or another. Ignoring seasonal trends and as a generality, it can be stated that for the majority of companies a substantially larger volume of business is required today to produce a given profit than was the case at any time last year, and especially during the first three quarters of last year.

It is somewhat sobering to realize that while general business activity for the first quarter averaged considerably larger than that of the fourth quarter of 1933, a considerable number of important companies earned less money in the first quarter than in the immediately preceding quarter. For example: Corn Products first quarter net of $2,298,000 compares with $3,406,000 in the fourth quarter of last year; duPont showed $11,628,000, against $12,458,000; Atlantic Refining, $613,000, against $1,847,000; Johns-Manville, a deficit of $76,081, against a profit of $459,085; National Biscuit, $3,066,000, against $4,351,000; Standard Brands, $4,302,000, against $4,632,000; Union Carbide, $4,337,000, against $5,268,000; and Westinghouse a deficit of $1,776,000, against a deficit of $1,553,000.

Earnings of the second and third quarters, of course, will make much less sensational comparison with a year ago and will reflect, for good or ill, the full effects of higher costs. The underlying cycle of recovery is favorable, but is subject to intermediate interruption, as was the case during the third quarter of last year. The coming phase of the business cycle will almost certainly require increasingly careful discrimination in the selection of securities. For common stocks yielding present income, the majority of candidates necessarily fall within the favored groups enumerated above. For long-term speculative promise, on the other hand, one will do well to consider the strong companies in the presently depressed heavy industries.

Correction

In the April 28 issue, on page 34, it was stated that Owens-Illinois Glass Co., owned 600,000 shares of National Distillers stock. This is incorrect. Owens-Illinois has no interest in National Distillers. In May and June, 1933, William E. Levis, president of Owens-Illinois acquired a substantial block of National Distillers stock on behalf of himself, the Illinois Glass Corp., and a group of individuals, a transaction which was erroneously accredited to the Owens-Illinois Glass Co.

The Turning Point of the New Deal

(*Continued from page 67*)

from the Stock Exchange Bill but will not seek to restore them, having been much surprised at how much public sentiment there is against a severely punitive measure of this sort,—the kind that he originally proposed and still favors in principle.

He will not ask for an extension of the business licensing provision of the Industrial Recovery Act. and he favors help for crippled businesses through R F C and Federal Reserve capital loans.

He does not care much what Congress does negatively from now on, outside the tariff bill, the exchange bill and the ordinary acts which keep the Government functioning. He wants primarily no more controversial legislation —positively no mandatory legislation affecting inflation, for that is the fond economic implement of Franklin D. himself—and he wants emphatically that Congress should go home soon: June 15, is his limit, May 26 the optimum, for adjournment.

When Congress gets safely home he can follow the path of temporary expediency with greater confidence. N R A's now most unpopular features allocated production and minimum price control, can then be allowed to follow their natural tendency to disintegration—now that growth and not mere existence is the business goal. It will again be allowable to make handsome profits if conditions permit, and permissible to get out of red ink before raising costs of production. With Congress, and especially its quota of 100-per-cent demagogues, at home, it will be possible to check the retarding process of the reckless baiting of capital by labor. The brakes can be put on the urge to produce less than can possibly support prosperity and a high wage structure, and the sound idea will again be given a chance to flourish—that wages, profits and dividends come out of production and not out of legislation and N R A rules.

If the holiday for business baiting that is now in prospect should coincide with steady business gains the tendency would be for renewed regimentation of business to be postponed indefinitely. Reforms do not prosper greatly in times of comfort and ease, even desirable ones. But it must not be forgotten that Mr. Roosevelt will not forswear the reforms with which he intends to make capitalism primarily a system of social service. He is not an enemy of capitalism; on the contrary he is a cham-

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, April 23	84.03	106.34	50.68	93.83	92.82	1,113,860
Tuesday, April 24	83.83	105.92	50.56	93.38	92.41	1,272,770
Wednesday, April 25	83.76	105.31	50.18	93.03	92.26	961,590
Thursday, April 26	83.55	105.05	49.92	93.29	91.29	1,639,145
Friday, April 27	83.54	103.56	49.32	92.02	91.26	841,960
Saturday, April 28	83.54	103.65	49.28	91.62	90.73	563,630
Monday, April 30	83.17	100.49	47.39	90.65	88.92	1,486,590
Tuesday, May 1	83.24	100.62	47.06	89.54	88.17	1,339,250
Wednesday, May 2	83.06	98.82	46.29	89.36	87.45	1,338,484
Thursday, May 3	82.90	98.94	46.54	88.65	87.41	1,114,190
Friday, May 4	82.97	99.29	46.74	88.93	87.35	840,330
Saturday, May 5	82.96	98.20	45.68	87.88	85.97	872,920

pion of it who fears that it will eventually be disastrously overthrown if the profit motive—its driving force—cannot be reconciled with service. This must be kept in mind when trying to chart his course. He is not swinging to the right or to the left, except in the sense that a sailing vessel tacks to starboard and then to port, as it advances against the wind.

At present the best sailing conditions are in a long tack to the right. His lieutenants, except the now retreating crackpots, share his tactics and strategy as well as his principles. It is notable that all of them, even the militant General Johnson and the omniscient Tugwell are making cautiously conservative speeches these days and uttering words of worldly wisdom.

Subsidizing the Farmer

(Continued from page 79)

two-fold beneficiary of the A A A. He must reduce his cornfield by 20 per cent and may reduce it by 30 per cent. He is paid rental for the idle land on the basis of its average production for the past three crop years at the rate of 30 cents per bushel. If he averaged 40 bushels for the past three years he would get $12 per acre, of which one-half is being paid upon approval of the contracts and the balance will be paid while the corn huskers are throwing the ears against the bumpboards in the frosty mornings of late November. But this farmer is also a hog raiser. He grew hogs in 1932 and 1933. He now agrees to do away with one brood sow out of every four and from the pigs which the remaining sows may suckle to feed to fatness for market but three out of every four. (Kits, cats, sacks and wives, how many were going to St. Ives?) A farmer has four brood sows, in 1932 and 1933—December 1 to December 1—they averaged two litters of four pigs each, thirty-two pigs. He now takes out one sow and theoretically eight little pigs do not see the light. For these he is paid $2 per head upon acceptance of his contract, another dollar in September when it shall have been verified that he did thus curtail one brood sow's fertility, and a further two dollars when the local control certifies that he also cut down the number of marketable hogs as per contract. He thus gets $40 for pigs he did not breed, of the remaining 24 he eliminates 6 from the feeding pen and for which he collects $30, total $70, and if his cornfield was cut down, say, from 100 acres to 80 acres, he gets $240 for corn he did not grow, all told $310. (All told for all farmers—wheat, cotton, corn, hogs, tobacco—$179,702,687 as of April 1.) The first corn-hog checks are now in the mails. These farmers have been able to make loans upon corn sealed in their own cribs and granaries at 45 cents per bushel. The estimate is that there are 260,000,000 bushels so under padlock, held against advances of around $112,000,000.

With May corn around 44 cents in Chicago, there is just a possibility that the Agricultural Adjustment Administration may find itself like to repeat some of the experiences of the late lamented Federal Farm Board and become possessed of an unwanted lot of corn. Undertaking to hold up the farmer's hands, the A A A may find it difficult to convince him that he should buy back his corn at a price above the market.

The tobacco growers march along with wheat and corn and hogs to the tune of 28 million dollars to be distributed to them under tobacco adjustment agreements. Something over half of this sum is to go out almost at once to growers who have agreed to cut 1934 production.

The story of attempts to govern milk production and distribution is a long chapter in itself, involving much that might seem to have little to do with the peaceful milking of the cows on the ordinary farm. It is too long drawn out to even attempt an outline here.

Meetings are currently in order to discuss with the A A A the situation in regard to beef cattle.

Perhaps, and quite aside from the physical aspects and payments made to farmers, the most important happening in regard to agriculture may lie in the legislation sought to be enacted whereby the Secretary of the Department would be given the broadest possible authority over every branch of the food industry, the measure going to extreme lengths in its attempt to preclude any abrogation of the powers conferred by any court. The measure provides that the orders of the Secretary shall be final "if in accordance with the law." The measure would embrace grain dealers and so affect every grain grower in the country.

To deprive a complainant of his day in court is something never contemplated before in this country. Our farmers looking upon the checks they receive as life savers may find the price all too trifling for the freedom of action bartered away in return therefor. Bureaucracy is always insidious in its absorption of power. Now as always, "Eternal vigilance is the price of liberty."

For Features to Appear in the Next Issue See Page 59

The Pressing Problem of 1934 Maturities

(*Continued from page* 71)

pected change in the Securities Act. It is, that the necessity and demand for changes in capital structures will wane. The larger profits will tend to support capitalizations which previously were thought to be too heavy and if the issuance of new and refunding issues is made possible there will be a further tendency in this direction. On the whole, therefore, it is a reasonable expectation that we have already seen the greater part of the internal revamping of capitalizations that is to take place.

This in itself, entirely apart from other constructive considerations is conducive of investor confidence. While a number of debtors in the accompanying table are in default on interest already, it would seem that the outlook for those that have weathered successfully the financial storms of the past few years had brightened immeasurably.

Happening in Washington

(*Continued from page* 68)

ruin the old dollar, now we are ready to export gold officially in order to protect the new dollar. Further efforts to restore the 1926 price level are indicated to be along credit loosening lines —credit inflation in fact. But if inflation comes here as some experts say it will, not even two billion dollars can hold the fort.

It's a ticklish situation: If business should rapidly accelerate credit inflation is likely; if it doesn't monetary inflation will certainly come.

The President is perhaps more enamored of the solution of the broad problem of the regulation of land use than of anything else that has come before him. The idea of adjusting population to the land appeals to him profoundly. The magnitude of the task and the consequences of its achievement down through the centuries to come is certainly inspiring. He sees it as a nation which was shaped by its environment now turning about and shaping the environment. Millions may be conceived as being moved from poor to rich soils, desert farms turned back to livestock range, impossible cutover land returned to forests, eroded hills returned to grass and trees, dry runs restored to sparkling brooks, men of the stranded industries given a foothold on small farms, large areas returned to the red man. So, although the small $25,000,000 Subsistence Homesteads division of the P W A has been most dilatory and indecisive in its first year and has broken little ice, the Administration has now created a special commission to deal continentally with all the aspects of adjustment of population to its environment.

I can sympathize with the bewildered mountaineers of the Ozarks whose farms have been turned over to the forests, but I confess that this grandiose shifting of population to fit physical geography and economic fact fascinates me.

What's Ahead for The Market?

(*Continued from page* 65)

resistance. Significant of present difficulties, the silk industry has obtained N R A permission for a general shutdown of all production for one week.

It would be easy, however, to overemphasize the importance of these developments. They center notably in the consumption goods industries, in which variations in the physical volume of trade account only in moderate measure for either economic depression or prosperity. Moreover, the reaction in textiles at present accords with the normal cycle of this industry, which seldom enjoys two good years in a row. Its volume last year was virtually normal. It has made certain that this year would not be equally good by the folly of trying to impose excessive prices on its customers.

On the bright side, the steel industry continues to expand operations and expects within a short time to exceed the peak activity of last year. As present orders are filled, however, one can not help but wonder if the industry will fare any better than the textile industry regarding the matter of price, for steel prices, on the average, are back to within 5 per cent of the 1929 level and, accordingly, are far out of line with the general level of commodity prices.

A hint that the question of price will probably play a decisive role in business activity in coming months is also provided in reports that retail sales of automobiles are not up to the motor industry's earlier expectations. The recession closely followed substantial price increases by most makers. Automobile production, however, for the latest week, reached a new high of recovery. April production was the larg-

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Bank, Insurance and Investment Trust Stocks

ACTIVE ISSUES

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bankers (3)	64	66
Brooklyn (4)	105	110
Central Hanover (7)	135	139
Chase (1.40)	29¼	30¾
Chemical (1.80)	40½	42½
City (1)	29½	31½
Corn Exchange (3)	52½	54½
Empire (1)	19¼	20¼
First National (100)	1675	1715
Guaranty (20)	363	368
Irving Trust (1)	17¾	19¼
Manhattan Co. (2)	31	33
Manufacturers (1)	22¼	23¾
New York (5)	105	108
Public (1.50)	33½	35½
United States Trust (70)	1730	1780

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire (1.60)	38	40
Aetna Life	19¾	21¼
Carolina (1)	22	23½
Glens Falls (1.60)	29	30½
Globe & Rutgers	48	51
Great American (1)	18¾	20¼
Hanover F. (1.60)	28¾	30½

INSURANCE COMPANIES—(Continued)

	Bid	Asked
Hartford Fire (2)	52¼	54¼
Home (1.50)	23¾	25¼
National Fire (2)	52¾	54¾
North River (.75)	19¼	20¾
Phoenix (2)	62	64
Travelers (16)	441	456
United States Fire (1.50)	35¾	37¾
Westchester F. (1.20)	25¼	26¾

INVESTMENT TRUSTS SHARES

	Bid	Asked
Amer. Founders Trust 7% Pfd.	16	19
Amer. & Gen. Sec. $3 Pfd.	38	43
Bullock Fund	12	13
Collateral Tr. Sh.—A	4⅝	5¼
Corporate Trust—AA	2.25	2.38
Incorporated Investors	17.82	19.16
Interl. Sec. Corp. of Amer., Pfd	14	18
Do Cum. Pfd	14	18
Nation-Wide Securities—B	3.32	3.42
No. Amer. Trust Shares 1958	2.30	2.65
Second Intl. Securities A	1	3
Do 6% Pfd.	28	33
Spencer Trask Fund	16¼	17⅛
U. S. & British Internl. Pfd.	5	8
Uselps Voting Shares	.74	.82

est since May, 1930. From present indications April will prove to have marked the spring production peak.

Oil Giants Struggle for World Markets

(Continued from page 77)

of petroleum products daily. It is safe to say the oil industry of northern South America could compete advantageously with the principal American fields for these markets on the sheer basis of low production and transportation costs. Import tariffs alone prevent the free working of economic laws which would make this possible.

The Standard and Royal Dutch-Shell, by dominating this new sphere of oil activity, are in a favorable position to supply future world markets and to profit handsomely thereby. Any possibility of a world-wide price-war between these two great oil organizations is remote despite their parallel activities. These activities, in fact, are regarded as reflecting nothing more than the inevitable outcome of economic laws—dictated, as they are, by low production costs and strategic geographical location.

The opportunity for the investor to participate in this world-wide market development is either through the securities of the principals, in which case Standard of N. J. should be given the preference or, if a greater speculative risk can be assumed, through the acquisition of the operating subsidiaries controlled by Standard and shown in the table on page 76.

Significant Foreign Events

(Continued from page 75)

easier if it is finally forced.

* * *

Stabilization Still Distant

The manipulation of currencies, according to London's view, will continue and make international stabilization merely a deferred hope until governmental budgets are generally balanced, because the exigencies of public financing when expenditures exceed revenues are always possibly productive of extraordinary capital movements between countries. Stabilized exchange is possible only when money movements between nations are of a normal trade nature.

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